

# Guide to Returns Based on a Combined Report



*State of Alaska*  
*Department of Revenue*

# Alaska Corporate Net Income Tax

## GUIDE TO RETURNS BASED ON A COMBINED REPORT

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Appendix A: Completed tax return for Corporation A  
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### IF YOU NEED HELP

If you have questions not addressed in this guide or in the instructions to the Corporation Net Income Tax Return (Form 04-611), or require other assistance, contact the department at:

(907) 465-2320 Juneau  
(907) 269-6620 Anchorage

### INTRODUCTION

This booklet provides guidance in preparing Alaska Corporation Net Income Tax returns using the combined method of reporting. It covers returns of single corporate taxpayers as well as consolidated returns of two or more corporations doing business in Alaska.

The discussions in this booklet cover several aspects of Alaska law regarding the preparation of returns using a combined report. The examples and discussions of Alaska items, alternative minimum tax, and other computations are limited to this purpose and should not be relied on as a complete review of the applicable statutes and regulations.

The discussions and examples are based upon a water's edge combination in which Alaska limits combination to the water's edge group. Generally, the water's edge group consists of all unitary corporations whose U.S. factor values are 20% or greater. Oil and Gas taxpayers must combine their world-wide unitary business; all other taxpayers using the combined reporting method must file using a water's edge combination.

### ALLOCATION AND APPORTIONMENT

Corporations deriving income from sources within and outside of Alaska must determine their Alaska tax liability based upon income derived from Alaska. That portion of a corporation's income derived from Alaska is determined by allocation and apportionment. Business income is attributed to Alaska by apportionment. Non-business income is allocated to a specific place based upon the source of the income. Generally, non-business income from intangibles is allocated to the corporation's state of commercial domicile. Non-business income from tangible property is normally allocable to the state where the property is located.

Alaska applies both the transactional and functional tests of business income. Income resulting from transactions or activities that are within the regular course of the taxpayer's trade or business is business income. Income from tangible or intangible property is business income, if the acquisition, management, and disposition of the property constitute integral parts of the taxpayer's regular trade or business. Income meeting either the functional or the transactional test is business income. Income from transactions or activity that are unusual or infrequent is not considered non-business income solely because of the unusual or infrequent nature of the income, activity, or transaction.

### UNITARY BUSINESS CONCEPT

Under the unitary business concept, all of the elements comprising a single enterprise are viewed as a whole or "unit." The business income from all activities of a unitary business comprise the income of the unitary business. Where the unitary business is conducted by two or more commonly controlled corporations, the business income of each corporation must be combined to determine the business income of the unitary business.

A business is unitary if the entities involved are under common direction (formal or informal) and activities within and without Alaska are contributory and complimentary in nature such that profits of the group are inextricably related. Tests of unity include functional integration, centralized management, and economies of scale.

Determination of whether the activities constitute a unitary trade or business depends on the facts of each case. The following factors are considered to be indications of a unitary trade or business. The presence of any of these factors creates a presumption that the activities constitute a single trade or business.

1. **SAME TYPE OF BUSINESS.** Corporations are generally engaged in a unitary trade or business when the activities are in the same general line of business. For example, corporations that operate a chain(s) of retail grocery stores are almost always engaged in a unitary business.

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**STEPS IN A VERTICAL PROCESS.** Corporations are engaged in a unitary trade or business when engaged in different steps in a vertical process. For example, corporations that explore for and mine copper ores; concentrate, smelt and refine copper ores; and fabricate the refined copper into consumer products are engaged in a unitary trade or business regardless of the fact that the various steps in the process are operated substantially independently of each other and with only general supervision from the executive offices.

3. **STRONG CENTRALIZED MANAGEMENT.** Corporations that might otherwise be considered as engaged in more than one unitary trade or business are engaged in one unitary trade or business when there is strong centralized management. Some indications of strong centralized management are: (a) the existence of centralized departments that perform the normal functions that a truly independent business would perform by itself, such as accounting, personnel, insurance, legal, purchasing, advertising or financing; or (b) centralized executive officers who are involved in planning, operations or coordination.

### **THE COMBINED REPORT**

The combined report is not a tax return. Combined reporting is a method of assigning income between the taxing jurisdictions in which a unitary business is conducted. A corporation doing business in Alaska uses the combined reporting method to determine its income derived from Alaska and subject to tax by Alaska. In a combined report, the business income of all members of the unitary group, including unitary corporations doing business solely outside of Alaska, is aggregated and then apportioned to Alaska. With the exception of Oil and Gas taxpayers, the standard three factor formula of property, payroll, and sales is used to apportion income to Alaska. Refer to AS 43.19 and 15 AAC 19.

### **COMBINED REPORT INCOME VS. SEPARATE COMPANY INCOME**

In contrast to the combined reporting method, a corporation that is not engaged in a unitary business with another corporation, or where the unitary business is conducted solely within Alaska, would determine its taxable income on a separate company basis. Under these circumstances, the corporation's Alaska taxable income is, generally, its federal taxable income after Alaska modifications. Where the entire business is conducted within Alaska, there is no need to combine and apportion the business income of the unitary group in order to measure the income earned in Alaska. Likewise, where a unitary business is conducted by a single corporation, that corporation may not use combined reporting. This taxpayer must apportion its separate company income to Alaska if it conducts business both within and without the state.

### **COMBINED REPORT VS. CONSOLIDATED RETURN**

Combined reporting is sometimes confused with a consolidated return. The difference in many situations is not dramatic and may even appear academic. However, combined reporting and consolidated filings are two distinct concepts that should be differentiated. The combined report is a method used to determine the taxpayer's income earned in Alaska. In a consolidated return, the taxable income of two or more taxpayers is consolidated into a single return. Where the corporations are part of a unitary business conducted within and without Alaska, the taxable income of each taxpayer is determined using a combined report and the incomes of the individual taxpayers are then consolidated into a single return. Where the unitary business of two or more Alaska taxpayers is conducted solely in Alaska, combined reporting is not applicable and the taxable incomes, separate company income, of the individual taxpayers are consolidated into a single return. Consolidated returns are discussed in more detail on page 15.

### **ALASKA RETURNS BASED UPON A COMBINED REPORT VS. FEDERAL RETURNS**

Alaska adopts significant portions of the Internal Revenue Code as Alaska law. Alaska regulations specify that apportionable income is based upon federal income, accounting methods, elections, and tax attributes. Therefore, the federal income or loss of a domestic corporation is the basis for reporting its income on an Alaska return. Generally, differences between the taxpayer's federal and Alaska income can be categorized as follows:

1. State modifications create differences between federal and Alaska taxable income. For example, Alaska does not allow deductions for taxes based on or measured by net income. Modifications are applicable to all taxpayers. Taxpayers who use a combined report must modify the combined federal taxable income of the entire unitary business.
2. Combination and apportionment can produce dramatic deviations from the taxpayer's federal taxable income. A domestic corporation will spend its entire life as a federal taxpaying entity and pay tax on its entire net income wherever earned. By contrast, the corporation may move into or out of Alaska's tax jurisdiction based upon the business activities it chooses to conduct within Alaska. Only a portion of its federal taxable income, or a portion of its unitary business' federal taxable income, is taxed by Alaska and only during the years in which it does business in Alaska. Therefore, a corporation's federal taxable income may differ significantly from its Alaska taxable income.
3. State/federal differences are compounded in applying certain statutory limitations or allowances. A secondary state/federal difference is produced when the computation of an item of income is dependent upon other components and those components have themselves been affected by state/federal

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differences. For example, the corporate charitable contributions deduction is limited to 10% of taxable income before charitable contributions, the dividends-received deduction, and net operating and capital loss carryovers. A taxpayer's state taxable income before charitable contributions, the dividends-received deduction, and loss carryovers will normally differ from that measure of income on its federal return. Accordingly, the contribution deduction limitation will differ between the state and federal returns.

Differences arising from this last category are referred to in this booklet as "Alaska items." Alaska items include items of income or loss that, like their federal counterparts, are limited by or dependent upon Alaska taxable income, the allocated and apportioned value of the item itself, or on another component of Alaska taxable income. Put another way, Alaska items refer to items of income or deduction that must be measured or limited based upon Alaska income or loss. Under the combined method of reporting, Alaska items must be determined after allocation and apportionment. These items must be removed from income and reinstated at their appropriate Alaska value after allocation and apportionment. Examples include net capital gain, Section 1231 gain or loss, the current charitable contribution deduction, the Alaska dividends-received deduction, and carryover losses or deductions.

The above is not a complete list of differences that may arise between federal and Alaska taxable income.

### **CONTENTS OF A COMBINED REPORT**

A combined report should contain the following:

- A combined profit and loss statement in columnar format disclosing each unitary corporation's income or loss. The format should be that of the Form 1120.
- A schedule in columnar format disclosing the adjustments and state modifications for each corporation to arrive at apportionable business income. This schedule will include state modifications for federal interest, taxes based upon or measured by net income, non-business income and related expenses, and the removal of separately computed charitable contributions and the gains and losses used to determine net capital gain or loss.
- A combined apportionment formula in columnar format disclosing for each corporation the total amount of property, payroll, and sales and the amount of Alaska property, payroll, and sales.
- A schedule in columnar format disclosing for each corporation any items of non-business income or expense allocated to Alaska.
- Schedules in columnar format showing the computation of income allocated and apportioned to Alaska including the computation of Alaska items.

### **EXAMPLE OF RETURNS BASED ON A COMBINED REPORT**

In this example, two Alaska taxpayers are engaged in a common unitary business with other corporations. Alaska regulations require these two taxpayers to file a consolidated Alaska return because they join in filing a federal consolidated return and engage in a common unitary business. However, complete individual company returns are illustrated first, followed by the consolidated return of the two taxpayers, in order to more fully illustrate Alaska returns based on a combined report.

Completed corporate income tax forms for Corporations A and C can be found in Appendixes A and B. Completed corporate income tax forms for the consolidated return of Corporations A and C are at Appendix C.

### **STEPS IN PREPARING AN ALASKA RETURN BASED UPON A COMBINED REPORT**

- 1) Identify the Combined Group**
- 2) Combine Federal Taxable Income**
- 3) Make Alaska Modifications**
- 4) Remove Federal Values of Alaska Items**
- 5) Allocate and Apportion Combined Income and Alaska Items**
- 6) Calculate Taxable Income from Allocated and Apportioned Income and Deductions**
- 7) Calculate Tax, Other Taxes, and Credits**

#### **STEP 1: IDENTIFY THE COMBINED GROUP**

Corporations A, B, C, D, and E are engaged in a unitary business of manufacturing and selling tangible personal property. Corporations A, B, and C are domestic corporations that file a consolidated federal return. Corporation A owns 100% of both B and C. Corporation D is a domestic corporation 60% owned by Corporation C. Corporation A owns 99% of Corporation E which is incorporated outside of the United States. The federal taxable income of the unitary group is shown on Worksheet 1. (Page 8)

Corporation A owns natural resources, maintains an office, and employs sales, customer service, and a small administrative staff within Alaska. Corporation C operates a manufacturing facility within Alaska. Corporations B, D, and E do not conduct business within Alaska beyond that which is protected by Public Law 86-272. Corporation C is domiciled in Alaska. Corporation A, along with the remainder of the group, is domiciled in another state or country.

Refer to Worksheet 2 (Page 8). Corporation B conducts substantially all of its business outside of the United States and its average U.S. factor is less than 20%. The remaining corporations of the group have average U.S. factors of 20% or more and are included in the water's edge group under AS 43.20.073(a). The U.S. factors of each corporation are individually measured using

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normal apportionment factor rules; intercompany sales, profits, and gains or losses between the corporations are not eliminated.

The water's edge group consists of Corporations A, C, D, and E. Corporation B may not be included in the combined report because its average U.S. factor is less than 20% and it does not meet any other requirement of AS 43.20.073(a). The group contains two Alaska taxpayers, Corporations A and C.

Corporations A and C are required to file a consolidated Alaska return because they engage in a common unitary business and file a consolidated federal return. Separate Alaska returns of Corporation A and C are provided first, followed by the consolidated return in order to better illustrate the preparation of a return based upon combined reporting.

### STEP 2: COMBINED STATEMENT OF INCOME OR LOSS

Worksheet 3 (Page 9) combines the federal taxable income of the group and reflects intercompany eliminations and adjustments. Generally, the federal taxable income of each member of the combined group is its federal taxable income as reported on line 28 of the Form 1120. Refer to Alaska regulation 15 AAC 20.300 for guidance on reporting the income of foreign corporations that are included in the combined report.

Where the unitary group members are also members of a federal consolidated group, the combined report should reflect an accounting for intercompany items by the method used in the federal consolidation. The intercompany profit residing in inventory on December 31, 1997 is reinstated to combined income and the intercompany profit residing in inventory on December 31, 1998 is eliminated for a net adjustment of (\$30,000). Corporation A's \$300,000 gain from the sale of equipment to Corporation E is deferred and Corporation E's depreciation expense attributable to this gain (basis) is not allowed.

### STEPS 3 and 4: MAKE ALASKA MODIFICATIONS AND REMOVE FEDERAL VALUES OF ALASKA ITEMS

Worksheet 4 (page 10) makes modifications and removes the federal values of "Alaska items" from combined federal taxable income.

#### State Modifications

Alaska requires certain modifications to federal taxable income in order to arrive at Alaska taxable income. Alaska requires the following modifications, which are common among many states:

- Taxes based upon or measured by net income may not be deducted and must be added back to the extent included as a deduction in federal taxable income.
- Non-business income and expenses incurred to generate non-business income must be removed from apportionable income.

- Interest earned from direct obligations of the United States is not taxed by Alaska and must be removed from income to the extent included therein.

Modifications peculiar to Alaska include:

- Alaska Education Credit contributions may not be deducted to the extent that they are included in the Alaska credit base. In this example, Corporation C contributed \$250,000 to qualified Alaska universities. Only the first \$200,000 of these contributions qualifies for the Alaska Education Credit and may not be deducted by Corporation C or any other taxpayer. This modification is applied in the measure of the taxpayer's Alaska charitable contribution deduction.

- Eighty percent (80%) of dividend and royalty income received from foreign corporations may be excluded under AS 43.20.073(b). The 20% that remains in apportionable income is in lieu of expense attribution to the excluded dividend or royalty. The remaining 20% of an excluded dividend is not eligible for a dividends-received deduction.

- Section 78 gross-up income is not taxed by Alaska and should be removed to the extent included in combined income before state modifications and adjustments.

#### Segregate Alaska Items

Remove from combined income before state modifications and adjustments, all components of net capital gain or loss, including Section 1231 gain or loss, charitable contributions, and dividends eligible for the dividends received deduction. The Alaska counterpart to these tax attributes are determined and reflected in taxable income after allocation and apportionment. Care must be taken not to duplicate or omit adjustments for items that are also subject to Alaska modifications or other adjustments. Segregate only the apportionable Alaska items, do not duplicate the removal of non-business items.

#### Capital and Section 1231 Gains and Losses

Alaska taxes net capital gain at a maximum rate of 4.5%. Alaska does not allow a deduction for a net capital loss. The taxpayer's Alaska net capital gain or loss will often differ from its federal gain or loss due to combination and/or allocation and apportionment. Therefore, the gains and losses that play a part in determining the taxpayer's net capital gain or loss must be segregated and the taxable amount and character of the gains and losses determined after allocation and apportionment. In the example, the combined capital gain net income of the unitary group is \$500,000 (Refer to Worksheet 6C on Page 12). However, \$80,000 of non-business capital gain net income has already been removed from apportionable income. Only the remaining \$420,000 of capital gain net income is removed to arrive at apportionable income before Alaska items. Refer to Worksheet 6C.

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Section 1231 gains and losses are a component of capital gain net income and must be removed from apportionable income. Any net Section 1231 gains included in capital gain net income on line 8 of the Form 1120 have already been removed from apportionable income. Remove the Section 1231 gain or loss included in line 9 of Form 1120. Be careful to include Section 1231 gains that are treated as ordinary gains on the federal return as the result of prior years non-recaptured net Section 1231 losses.

### Charitable Contributions

The current federal charitable contribution deduction for the combined group is \$750,000. This consists of a \$250,000 federal excess contribution carryover and \$500,000 of current contributions. In this example, \$200,000 of the current contributions qualify for the Alaska Education Credit. The entire federal deduction of \$750,000 is added back to apportionable income and the deductible portion of the current contributions, along with any Alaska excess contribution carryover, will be calculated and deducted after allocation and apportionment.

Federal taxable income adjusted for state modifications and the removal of federal values for Alaska items produces apportionable business income before Alaska items. This business income is apportioned to Alaska and, along with any non-business income allocated to Alaska, plus the taxpayer's Alaska items, represent taxable income.

Note that dividends subject to the dividends-received deduction are not removed even though the dividends-received deduction is an Alaska item. The dividends are not removed because the dividends-received deduction is the Alaska item subject to limitation, not the dividend income.

### STEP 5: ALLOCATE AND APPORTION COMBINED INCOME AND ALASKA ITEMS AND

### STEP 6: CALCULATE TAXABLE INCOME

Steps 5 and 6 represent the heart of an Alaska return based upon a combined report. First, unitary business income before Alaska items is allocated and apportioned to Alaska. The Alaska items are then calculated and included in taxable income in the order specified under the Internal Revenue Code. "Alaska items" refers to those components of taxable income that are subject to income-based limitations such that they must be computed based upon the apportioned and allocated taxable income of the taxpayer. Alaska items include net capital gain or loss, charitable contributions, and the dividends-received deduction.

Worksheet 5 (Page 11) reflects the Alaska apportionment factors of Corporations A and C. Alaska applies the standard three factor apportionment formula of property, payroll, and sales (except for Oil and Gas corporations). Alaska rules generally follow UDITPA, however, tax return preparers should consult Alaska regulations 15 AAC 19. Special rules apply for airlines, land or

water transportation carriers, financial organizations, and construction contractors. Corporations or combined groups with oil or gas production or pipeline interests in Alaska should consult AS 43.20.072 and pertinent regulations.

Business income is apportioned to Alaska. Non-business income that is allocable to Alaska must be included in Alaska taxable income. In the example, Corporation A does not have non-business income allocable to Alaska. Corporation C has \$10,000 of non-business dividend income and a \$(40,000) capital loss allocable to Alaska. Corporation C's non-business capital loss must be reflected in income within its Alaska net capital gain or loss, an Alaska item, and therefore is included in taxable income as part of Alaska gains and losses. Corporations A and C have the following allocated and apportioned income before Alaska items:

|                                    | <u>Combined</u> | <u>CORP A</u> | <u>CORP C</u> |
|------------------------------------|-----------------|---------------|---------------|
| Apportionment Factor               |                 | 10%           | 15%           |
| Income Before Alaska Items         | 10,710,000      | 1,071,000     | 1,606,500     |
| Allocated Income                   |                 |               | 10,000        |
| Taxable Income Before Alaska Items |                 | 1,071,000     | 1,616,500     |

### Alaska Items

Net capital gain or loss is computed by first allocating and apportioning each component of capital gain or loss. Note that Section 1231 gains and losses, including those that are characterized as ordinary gain or loss on the individual corporations' federal returns, are a component of the combined net capital gain or loss. Any federal capital loss carryovers must be removed from combined gains and losses. The combined long term capital gain or loss, combined short term capital gain or loss, and combined Section 1231 gain or loss are apportioned to Alaska. Allocated gains and losses are added to the apportioned gain or loss, according to their character. The taxpayer's Alaska net capital gain or loss is determined from its allocated and apportioned gains and losses.

In this example, Corporation A has a net capital gain of \$25,000 and its Section 1231 loss of \$27,000 is ordinary. Corporation C has a non-deductible net capital loss of \$2,500 and its Section 1231 loss of \$40,500 is ordinary. The resulting net capital gain and Section 1231 gain or loss, if any, must be reinstated in taxable income at these allocated and apportioned values. Corporation A's net capital gain may be subject to the alternate tax rate on net capital gain of 4.5%. Corporation C's excess capital loss may be carried back or carried forward in accordance with Internal Revenue Code Section 1212. The apportioned Section 1231 loss of each taxpayer is included in its Alaska non-recaptured net Section 1231 losses. Refer to Worksheet 7A (Page 13) for an example of the Alaska tax return Schedule J computing the capital and Section 1231 gains and losses of Corporation C. The calculation of Alaska capital and Section 1231 gains and losses for Corporations A and C is summarized below.

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|                             | Combined  | CORP A<br>10% | CORP C<br>15% |
|-----------------------------|-----------|---------------|---------------|
| Apportionment Factor        |           |               |               |
| Business STCG/(L)           | (110,000) | (11,000)      | (16,500)      |
| Business LTCG/(L)           | 360,000   | 36,000        | 54,000        |
| Non-business LTCG/(L)       |           | 0             | (40,000)      |
| Total LTCG/(L)              |           | 36,000        | 14,000        |
| Section 1231 Gain or (Loss) | (270,000) | (27,000)      | (40,500)      |

The allocated and apportioned gains and losses are reported on Schedule J of the Alaska tax return Form 04-611 and produce the following Alaska items:

|   | CORP A  | CORP C   |
|---|---------|----------|
| Taxable Capital and Section 1231 Gain or Loss | (2,000) | (40,500) |
| Alaska Net Capital Gain                       | 25,000  | 0        |
| Alaska Excess Capital Loss Carryover          | 0       | 2,500    |

### Charitable Contribution Deduction

The taxpayer's charitable contribution deduction is limited by the application of Internal Revenue Code Section 170. However, the Alaska limitation is based upon the taxpayer's Alaska income. Any federal contribution carryover must be removed from combined contributions. Contributions that generated an Alaska Education Credit must also be removed from combined contributions. The remaining current contributions of the combined group, in most circumstances, are apportioned to Alaska. Refer to Worksheet 7B (Page 13) for an example of Corporation C's Alaska charitable contribution deduction calculated using Alaska tax return form Schedule K. The Alaska charitable contribution deductions of Corporations A and C are:

|  | Combined  | CORP A<br>10% | CORP C<br>15% |
|--|-----------|---------------|---------------|
| Apportionment Factor                         |           |               |               |
| Federal Contribution Deduction               | 750,000   |               |               |
| Less Federal Carryover                       | (250,000) |               |               |
| Current Federal Contributions                | 500,000   |               |               |
| AK Education Credit Contribution             | (200,000) |               |               |
| Apportioned Contributions                    | 300,000   | 30,000        | 45,000        |
| Alaska Contribution Carryover                |           |               | 6,000         |
| Tentative Contribution Deduction             |           | 30,000        | 51,000        |
| Deduction limitation                         |           |               |               |
| Income Before Alaska Items                   |           | 1,071,000     | 1,616,500     |
| Alaska Capital and Section 1231 Gain or Loss |           | (2,000)       | (40,500)      |
| Income Limitation Base                       |           | 1,069,000     | 1,576,000     |
| Contribution Deduction Limit 10%             |           | 106,900       | 157,600       |
| Alaska Charitable Contribution Deduction     |           | 30,000        | 51,000        |

### Dividends-Received Deduction

The Alaska dividends-received deduction may be limited by the taxpayer's Alaska taxable income before net operating loss and before the dividends-received deduction. A dividends-received deduction may be claimed only with respect to dividends included in apportionable income. A dividends-received deduction is not

allowed with respect to intercompany dividends which are eliminated, excluded Section 78 gross-up, or for dividends from foreign corporations that are subject to the 80% water's edge exclusion under AS 43.20.073(b)(1). The dividend income remaining in apportionable income after the 80% water's edge dividend exclusion is in lieu of non-deductible expense attribution that would otherwise apply to expenses associated with excluded income. Do not claim a dividends-received deduction with respect to the remaining 20% of foreign dividends. An example of Corporation C's Alaska dividends-received deduction calculation using Alaska tax return form Schedule L is shown on Worksheet 7C (Page 13). The Alaska dividends-received deduction for Corporations A and C are:

|  | Combined  | CORP A<br>10% | CORP C<br>15% |
|--|-----------|---------------|---------------|
| Apportionment Factor                       |           |               |               |
| Total Dividend Income                      | 510,000   |               |               |
| Remove:                                    |           |               |               |
| Intercompany Dividends                     | 0         |               |               |
| Section 78 Gross-up                        | (200,000) |               |               |
| Foreign (WE Exclusion)                     | (200,000) |               |               |
| Non-business Dividends                     | (10,000)  |               |               |
| Apportionable Dividends                    | 100,000   | 10,000        | 15,000        |
| Non-business Dividends Allocable to Alaska |           | 0             | 10,000        |
| Total Taxable Dividends                    |           | 10,000        | 25,000        |
| Dividends-Received Deduction Percentage    |           | 70%           | 70%           |
| Alaska Dividends-Received Deduction        |           | 7,000         | 17,500        |

### We now have all the pieces of Alaska taxable income calculated as follows:

|  | CORP A    | CORP C    |
|--|-----------|-----------|
| Income Before Alaska Items                     | 1,071,000 | 1,616,500 |
| Alaska Capital and Section 1231 Gain or (Loss) | (2,000)   | (40,500)  |
| Alaska Charitable Contributions Deduction      | (30,000)  | (51,000)  |
| Alaska Dividends-Received Deduction            | (7,000)   | (17,500)  |
| Alaska Taxable Income                          | 1,032,000 | 1,507,500 |

These taxable values are calculated on Schedule H of the Alaska income tax form. An example of Corporation C's Schedule H is shown on Worksheet 8 (Page 14).

### STEP 7: CALCULATE INCOME TAX, CREDITS, and OTHER TAXES

Completed corporate income tax forms for Corporations A and C can be found in Appendixes A and B. The following is a summary of the remaining calculations of the individual returns of the two corporations.

The income tax calculation reflects the Alaska Net Capital Gain, if any, as follows:

|                                | CORP A    | CORP C    |
|--------------------------------|-----------|-----------|
| Alaska Taxable Income          | 1,032,000 | 1,507,500 |
| Alaska Net Capital Gain        | 25,000    | 0         |
| Ordinary Income                | 1,007,000 | 1,507,500 |
| Tax on Ordinary Income         | 90,698    | 137,745   |
| Tax on Alaska Net Capital Gain | 1,125     | 0         |
| Alaska Income Tax              | 91,823    | 137,745   |

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Apportioned federal credits are allowed based upon 18% of the federal credits generated by the unitary business. Qualified federal credits may be apportioned to Alaska and applied against Alaska tax liability as a general business credit. However, no part of an apportioned federal credit may be applied against the Alaska alternative minimum tax or other taxes. Apportioned federal credits are subject to limitation based upon Alaska income tax before credits and other taxes.

Most, but not all, federal credits are apportionable to Alaska. Generally, a federal credit that operates to refund or adjust non-income taxes or other liabilities may not be apportioned to Alaska. For example, Alaska does not allow the credit for federal tax on fuels, the Trans-Alaska pipeline liability fund credit, or the credit for employer social security and Medicare taxes paid on certain employee tips.

Corporation D generated a \$55,556 federal jobs credit during 1998. Therefore, the unitary business generated an apportionable federal credit even though Corporation D's federal credit was limited to zero on its federal return because of the federal taxable income limitation. Corporations A and C generate Alaska credits as follows:

|                      | Combined | CORP A | CORP C |
|----------------------|----------|--------|--------|
| Apportionment Factor |          | 10%    | 15%    |
| Federal Jobs Credit  | 55,556   | 5,556  | 8,333  |
| Alaska Rate          |          | 18%    | 18%    |
| Alaska Jobs Credit   |          | 1,000  | 1,500  |

The Alaska alternative minimum tax of the combined group apportioned to Alaska is computed by apportioning the federal alternative minimum tax of the combined group to Alaska and applying the 18% Alaska rate to the apportioned federal AMT as follows:

|                                 | Combined | CORP A | CORP C |
|---------------------------------|----------|--------|--------|
| Apportionment Factor            |          | 10%    | 15%    |
| Federal Alternative Minimum Tax | 277,778  | 27,778 | 41,667 |
| Alaska Rate                     |          | 18%    | 18%    |
| Alaska Alternative Minimum Tax  |          | 5,000  | 7,500  |

Alaska offers credits for mineral exploration within the state and for charitable contributions to Alaska universities and colleges. These Alaska incentive credits are applied after apportioned federal credits and, unlike apportioned federal credits, may be applied against other taxes such as Alaska AMT. The incentive credits are specific to the individual taxpayer and may not be applied against the tax of another corporation, except within a consolidated return.

In this example, Corporation C has generated an Alaska Education Credit, which may offset its Alaska tax liability but not that of Corporation A. The qualified contributions may not be deducted from either corporation's apportionable income. The credit is limited to Corporation C's tax before the credit. Any unused credit may not be carried to another tax period. Corporation C's credit is:

|   | Contribution | Rate | Credit  |
|---|--------------|------|---------|
| Qualified Charitable Contributions<br>\$0 - \$100,000       | 100,000      | 50%  | 50,000  |
| Qualified Charitable Contributions<br>\$100,000 - \$200,000 | 100,00       | 100% | 100,000 |
| Non-deductible Contributions                                | 200,000      |      |         |
| Tentative Credit  |              |      | 150,000 |
| Credit Limitation   |              |      |         |
| Net Income Tax  | 137,745      |      |         |
| Apportioned Federal Credits                                 | (1,500)      |      |         |
| Alaska AMT  | 7,500        |      |         |
| Tax Before Alaska Education Credit                          | 143,745      |      |         |
| Alaska Education Credit                                     |              |      | 143,745 |

This completes the calculation of taxable income and tax for Corporations A and C. The individual company returns of Corporations A and C are summarized as follows:

|   | CORP A    | CORP C    |
|---|-----------|-----------|
| Taxable Income Before Alaska Items        | 1,071,000 | 1,616,500 |
| Capital and Section 1231 Gains and Losses | (2,000)   | (40,500)  |
| Charitable Contribution Deduction         | (30,000)  | (51,000)  |
| Dividends-Received Deduction              | (7,000)   | (17,500)  |
| Alaska Taxable Income                     | 1,032,000 | 1,507,500 |
| Alaska Income Tax                         | 91,823    | 137,745   |
| Apportioned Federal Credits               | (1,000)   | (1,500)   |
| Other Taxes - Alaska AMT                  | 5,000     | 7,500     |
| Alaska Education Credit                   | 0         | (143,745) |
| Net Alaska Income Tax                     | 95,823    | 0         |

Completed corporate income tax forms for Corporations A and C can be found in Appendixes A and B.



## WORKSHEET 1

### Federal Taxable Income

#### CORP A and Subsidiaries Consolidated Federal Taxable Income - December 31, 1998

|   | A CORP & Subs.<br>CONSOLIDATED | ELIMINATIONS &<br>ADJUSTMENTS | TOTAL        | CORP A       | CORP B       | CORP C       |
|---|--------------------------------|-------------------------------|--------------|--------------|--------------|--------------|
| Net Sales   | 93,980,000                     | (23,020,000)                  | 117,000,000  | 60,000,000   | 21,000,000   | 36,000,000   |
| Cost of goods sold                                      | (60,020,000)                   | 22,980,000                    | (83,000,000) | (44,000,000) | (12,000,000) | (27,000,000) |
| Gross profit  | 33,960,000                     | (40,000)                      | 34,000,000   | 16,000,000   | 9,000,000    | 9,000,000    |
| Dividends   | 510,000                        |                               | 510,000      | 500,000      |              | 10,000       |
| Interest  | 1,000,000                      |                               | 1,000,000    | 1,000,000    |              |              |
| Gross rents   | 600,000                        |                               | 600,000      | 150,000      |              | 450,000      |
| Gross royalties   | 750,000                        |                               | 750,000      | 750,000      |              |              |
| Capital gain net income (Wksht. 6B)                     | 800,000                        | (50,000)                      | 850,000      | 800,000      | 50,000       | -            |
| Other gain or loss (Wksht. 6B)                          | (170,000)                      | 20,000                        | (190,000)    | (120,000)    | -            | (70,000)     |
| Other Income  | 3,830,000                      |                               | 3,830,000    | 3,800,000    | 30,000       |              |
| Total Income  | 41,280,000                     | (70,000)                      | 41,350,000   | 22,880,000   | 9,080,000    | 9,390,000    |
| Compensation of officers                                | 4,000,000                      |                               | 4,000,000    | 4,000,000    |              |              |
| Salaries and wages                                      | 13,000,000                     |                               | 13,000,000   | 5,500,000    | 3,000,000    | 4,500,000    |
| Repairs and maintenance                                 | 450,000                        |                               | 450,000      | 350,000      | 50,000       | 50,000       |
| Bad debts   | -                              |                               | -            |              |              |              |
| Rents   | 670,000                        |                               | 670,000      | 400,000      | 120,000      | 150,000      |
| Taxes and licenses                                      | 830,000                        |                               | 830,000      | 750,000      | 50,000       | 30,000       |
| Interest  | 1,050,000                      |                               | 1,050,000    | 750,000      | 50,000       | 250,000      |
| Charitable contributions                                | 750,000                        |                               | 750,000      | 500,000      |              | 250,000      |
| Depreciation  | 2,020,000                      |                               | 2,020,000    | 600,000      | 750,000      | 670,000      |
| Depletion   | -                              |                               | -            |              |              |              |
| Advertising   | 210,000                        |                               | 210,000      | 210,000      |              |              |
| Pension, profit-sharing, etc., plans                    | 1,100,000                      |                               | 1,100,000    | 450,000      | 250,000      | 400,000      |
| Employee benefit programs                               | 1,300,000                      |                               | 1,300,000    | 600,000      | 250,000      | 450,000      |
| Other deductions  | 960,000                        |                               | 960,000      | 750,000      | 160,000      | 50,000       |
| Total deductions  | 26,340,000                     | -                             | 26,340,000   | 14,860,000   | 4,680,000    | 6,800,000    |
| <b>Taxable Income Before NOL and Special Deductions</b> | 14,940,000                     | (70,000)                      | 15,010,000   | 8,020,000    | 4,400,000    | 2,590,000    |

#### Other Unitary Affiliates

| CORP D       | CORP E       |
|--------------|--------------|
| 55,000,000   | 19,000,000   |
| (46,000,000) | (13,000,000) |
| 9,000,000    | 6,000,000    |
| 180,000      | 290,000      |
| 9,180,000    | 6,290,000    |
| 7,500,000    | 3,250,000    |
| 150,000      | 180,000      |
| 250,000      | 20,000       |
| 50,000       | 180,000      |
| 250,000      | 70,000       |
| 1,000,000    | 450,000      |
| 650,000      | 270,000      |
| 680,000      | 310,000      |
| 360,000      | 60,000       |
| 10,890,000   | 4,790,000    |
| (1,710,000)  | 1,500,000    |

## WORKSHEET 2

### Water's Edge U.S. Factor Analysis

| U.S. FACTORS   | CORP A          | CORP B         | CORP C          | CORP D          | CORP E          |
|--|-----------------|----------------|-----------------|-----------------|-----------------|
| United States Payroll                                    | 9,850,000       | 200,000        | 4,750,000       | 8,830,000       | 200,000         |
| Payroll Everywhere                                       | 10,550,000      | 3,500,000      | 5,350,000       | 8,830,000       | 3,830,000       |
| United States Payroll Factor                             | 93.3649%        | 5.7143%        | 88.7850%        | 100.0000%       | 5.2219%         |
| United States Sales                                      | 42,530,000      | 2,000,000      | 18,900,000      | 35,590,000      | 13,000,000      |
| Sales Everywhere   | 62,530,000      | 21,100,000     | 36,980,000      | 55,590,000      | 19,100,000      |
| United States Sales Factor                               | 68.0154%        | 9.4787%        | 51.1087%        | 64.0223%        | 68.0628%        |
| United States Property                                   | 27,200,000      | 400,000        | 23,000,000      | 16,900,000      | 2,140,000       |
| Property Everywhere                                      | 29,880,000      | 12,250,000     | 25,870,000      | 16,900,000      | 27,500,000      |
| United States Property Factor                            | 91.0308%        | 3.2653%        | 88.9061%        | 100.0000%       | 7.7818%         |
| Total United States Payroll, Sales, and Property Factors | 252.4111%       | 18.4583%       | 228.7998%       | 264.0223%       | 81.0665%        |
| <b>UNITED STATES FACTOR</b>                              | <b>84.1370%</b> | <b>6.1528%</b> | <b>76.2666%</b> | <b>88.0074%</b> | <b>27.0222%</b> |

**WORKSHEET 3**  
**Combined Income Subject to Apportionment**

**COMBINED PROFIT & LOSS FOR PERIOD ENDING DECEMBER 31, 1998**

|  | COMBINED          | ELIMINATIONS<br>& ADJUSTMENTS | TOTAL             | CORP A            | CORP C           | CORP D             | CORP E           |
|--|-------------------|-------------------------------|-------------------|-------------------|------------------|--------------------|------------------|
| Net Sales  | 149,000,000       | (21,000,000)                  | 170,000,000       | 60,000,000        | 36,000,000       | 55,000,000         | 19,000,000       |
| Cost of goods sold   | (109,030,000)     | 20,970,000                    | (130,000,000)     | (44,000,000)      | (27,000,000)     | (46,000,000)       | (13,000,000)     |
| Gross profit   | 39,970,000        | (30,000)                      | 40,000,000        | 16,000,000        | 9,000,000        | 9,000,000          | 6,000,000        |
| Dividends  | 510,000           |                               | 510,000           | 500,000           | 10,000           |                    |                  |
| Interest   | 1,000,000         |                               | 1,000,000         | 1,000,000         |                  |                    |                  |
| Gross rents  | 600,000           |                               | 600,000           | 150,000           | 450,000          |                    |                  |
| Gross royalties  | 750,000           |                               | 750,000           | 750,000           |                  |                    |                  |
| Capital gain net income  | 500,000           | (300,000)                     | 800,000           | 800,000           | -                |                    |                  |
| Other gain or loss   | (190,000)         |                               | (190,000)         | (120,000)         | (70,000)         |                    |                  |
| Other Income   | 4,270,000         |                               | 4,270,000         | 3,800,000         |                  | 180,000            | 290,000          |
| <b>Total Income</b>  | <b>47,410,000</b> | <b>(330,000)</b>              | <b>47,740,000</b> | <b>22,880,000</b> | <b>9,390,000</b> | <b>9,180,000</b>   | <b>6,290,000</b> |
| Compensation of officers   | 4,000,000         |                               | 4,000,000         | 4,000,000         |                  |                    |                  |
| Salaries and wages   | 20,750,000        |                               | 20,750,000        | 5,500,000         | 4,500,000        | 7,500,000          | 3,250,000        |
| Repairs and maintenance  | 730,000           |                               | 730,000           | 350,000           | 50,000           | 150,000            | 180,000          |
| Bad debts  | 20,000            |                               | 20,000            |                   |                  |                    | 20,000           |
| Rents  | 980,000           |                               | 980,000           | 400,000           | 150,000          | 250,000            | 180,000          |
| Taxes and licenses   | 900,000           |                               | 900,000           | 750,000           | 30,000           | 50,000             | 70,000           |
| Interest   | 1,250,000         |                               | 1,250,000         | 750,000           | 250,000          | 250,000            |                  |
| Charitable contributions   | 750,000           |                               | 750,000           | 500,000           | 250,000          |                    |                  |
| Depreciation   | 2,690,000         | (30,000)                      | 2,720,000         | 600,000           | 670,000          | 1,000,000          | 450,000          |
| Depletion  | -                 |                               | -                 |                   |                  |                    |                  |
| Advertising  | 210,000           |                               | 210,000           | 210,000           |                  |                    |                  |
| Pension, profit-sharing, etc., plans                             | 1,770,000         |                               | 1,770,000         | 450,000           | 400,000          | 650,000            | 270,000          |
| Employee benefit programs  | 2,040,000         |                               | 2,040,000         | 600,000           | 450,000          | 680,000            | 310,000          |
| Other deductions   | 1,220,000         |                               | 1,220,000         | 750,000           | 50,000           | 360,000            | 60,000           |
| <b>Total deductions</b>  | <b>37,310,000</b> | <b>(30,000)</b>               | <b>37,340,000</b> | <b>14,860,000</b> | <b>6,800,000</b> | <b>10,890,000</b>  | <b>4,790,000</b> |
| <b>Net Income Before State Modifications<br/>and Adjustments</b> | <b>10,100,000</b> | <b>(300,000)</b>              | <b>10,400,000</b> | <b>8,020,000</b>  | <b>2,590,000</b> | <b>(1,710,000)</b> | <b>1,500,000</b> |

## WORKSHEET 4

### Combined Income Subject to Apportionment State Modifications, Non-business Income, and Segregation of Separately Apportioned Items

|  | COMBINED          | ELIMINATIONS<br>& ADJUSTMENTS | TOTAL      | CORP A    | CORP C    | CORP D      | CORP E    |
|--|-------------------|-------------------------------|------------|-----------|-----------|-------------|-----------|
| <b>Net Income Before State Modifications and Adjustments</b> | 10,100,000        | (300,000)                     | 10,400,000 | 8,020,000 | 2,590,000 | (1,710,000) | 1,500,000 |
| <b>State Modifications</b>                                   |                   |                               |            |           |           |             |           |
| <b>ADD:</b>  |                   |                               |            |           |           |             |           |
| Taxes based on or measured by net income                     | 860,000           |                               | 860,000    | 730,000   | 20,000    | 45,000      | 65,000    |
| Expenses incurred to produce non-business income             | 1,000             |                               | 1,000      | 1,000     |           |             |           |
| Other Additions:   |                   |                               |            |           |           |             |           |
| Total Additions  | 861,000           | -                             | 861,000    | 731,000   | 20,000    | 45,000      | 65,000    |
| <b>DEDUCT:</b>   |                   |                               |            |           |           |             |           |
| Interest from obligations of the United States               | 1,000             |                               | 1,000      | 1,000     |           |             |           |
| Non-business income: Dividends                               | 10,000            |                               | 10,000     |           | 10,000    |             |           |
| Gain or Loss (Worksheet 6C)                                  | 80,000            |                               | 80,000     | 120,000   | (40,000)  |             |           |
| Section 78 gross-up  | 200,000           |                               | 200,000    | 200,000   |           |             |           |
| 80% foreign source dividends                                 | 160,000           |                               | 160,000    | 160,000   |           |             |           |
| 80% foreign source royalties                                 | 400,000           |                               | 400,000    | 400,000   |           |             |           |
| Other Subtractions:  |                   |                               |            |           |           |             |           |
|  | -                 |                               | -          |           |           |             |           |
| Total Deductions   | 851,000           | -                             | 851,000    | 881,000   | (30,000)  | -           | -         |
| <b>Net Income After State Modifications</b>                  | 10,110,000        | (300,000)                     | 10,410,000 | 7,870,000 | 2,640,000 | (1,665,000) | 1,565,000 |
| <b>Remove Separately Determined Income Items</b>             |                   |                               |            |           |           |             |           |
| Federal Capital Gain Net Income from 1120                    |                   |                               |            |           |           |             |           |
| Line 8 - Net of Non-business                                 |                   |                               |            |           |           |             |           |
| Gain or (Loss) (Worksheet 6C)                                | 420,000           | (300,000)                     | 720,000    | 680,000   | 40,000    | -           | -         |
| Ordinary Section 1231 Gain or Loss                           |                   |                               |            |           |           |             |           |
| Included in 1120 Line 9 (Worksheet 6C)                       | (270,000)         |                               | (270,000)  | (150,000) | (120,000) | -           | -         |
| Federal Charitable Contribution Deduction                    | (750,000)         |                               | (750,000)  | (500,000) | (250,000) | -           | -         |
| Subtotal - Apportionable Alaska items                        | (600,000)         |                               |            |           |           |             |           |
| <b>Unitary Business Income Before Alaska</b>                 |                   |                               |            |           |           |             |           |
| <b>Items Subject to Apportionment</b>                        | <b>10,710,000</b> |                               |            |           |           |             |           |

## WORKSHEET 5

### Apportionment Factors

| PAYROLL FACTOR     | COMBINED   | CORP A     | CORP C    | CORP D    | CORP E    |
|--------------------|------------|------------|-----------|-----------|-----------|
| Payroll Everywhere | 28,560,000 | 10,550,000 | 5,912,000 | 8,268,000 | 3,830,000 |
| Alaska Payroll     | 7,140,000  | 1,428,000  | 5,712,000 |           |           |
| Payroll Factor     | 25.0000%   | 5.0000%    | 20.0000%  |           |           |

| SALES FACTOR                                     |              |              |            |             |              |
|--|--------------|--------------|------------|-------------|--------------|
| Sales Everywhere                                 |              |              |            |             |              |
| Gross receipts, less returns and allowances      | 170,000,000  | 60,000,000   | 36,000,000 | 55,000,000  | 19,000,000   |
| Other gross receipts                             | 4,200,000    | 2,530,000    | 980,000    | 590,000     | 100,000      |
| Less intercompany receipts                       | (34,200,000) | (18,650,000) |            | (4,000,000) | (11,550,000) |
| Total Sales Everywhere                           | 140,000,000  | 43,880,000   | 36,980,000 | 51,590,000  | 7,550,000    |
| Alaska Sales                                     |              |              |            |             |              |
| Sales delivered or shipped to Alaska purchasers: |              |              |            |             |              |
| Shipped from Alaska                              | 24,500,000   | 24,000,000   | 500,000    |             |              |
| Shipped from outside Alaska                      | 4,700,000    | 4,600,000    | 100,000    |             |              |
| Sales shipped from Alaska to:                    |              |              |            |             |              |
| The United States Government                     | -            |              |            |             |              |
| Purchaser in a state in which corporation        |              |              |            |             |              |
| is protected under Public Law 86-272             | 2,700,000    | 500,000      | 2,200,000  |             |              |
| Less intercompany receipts                       | (6,700,000)  | (6,700,000)  |            |             |              |
| Total Alaska Sales                               | 25,200,000   | 22,400,000   | 2,800,000  |             |              |
| Sales Factor                                     | 18.0000%     | 16.0000%     | 2.0000%    |             |              |

| PROPERTY FACTOR  |             |             |            |            |             |
|--|-------------|-------------|------------|------------|-------------|
| Property Everywhere                                    |             |             |            |            |             |
| Inventory - 12/31/98                                   |             | 2,250,000   | 650,000    | 510,000    | 1,070,000   |
| Fixed Assets - 12/31/98                                |             | 24,050,000  | 24,500,000 | 15,810,000 | 31,000,000  |
| Land - 12/31/98  |             | 4,000,000   | 1,000,000  | 500,000    | 1,000,000   |
| Less Intercompany profits included above               |             | (300,000)   | -          | -          | -           |
| Less construction in progress                          |             | (2,395,000) | (980,000)  | (210,000)  | (2,770,000) |
| Total - end of year                                    |             | 27,605,000  | 25,170,000 | 16,610,000 | 30,300,000  |
| Total - beginning of year (from 1997 report)           |             | 25,455,000  | 24,970,000 | 14,310,000 | 20,700,000  |
| Total - beginning and ending                           |             | 53,060,000  | 50,140,000 | 30,920,000 | 51,000,000  |
| Average owned property                                 | 92,560,000  | 26,530,000  | 25,070,000 | 15,460,000 | 25,500,000  |
| Rent expense (excluding intercompany and non-business) | 930,000     | 400,000     | 100,000    | 180,000    | 250,000     |
| Capitalized (times 8)                                  | 7,440,000   | 3,200,000   | 800,000    | 1,440,000  | 2,000,000   |
| Combined property everywhere                           | 100,000,000 | 29,730,000  | 25,870,000 | 16,900,000 | 27,500,000  |
| Alaska Property  |             |             |            |            |             |
| Inventory - 12/31/98                                   |             | 53,000      | 570,000    |            |             |
| Fixed Assets - 12/31/98                                |             | 9,365,000   | 22,500,000 |            |             |
| Land - 12/31/98  |             | 50,000      | 1,000,000  |            |             |
| Less Intercompany profits included above               |             | (30,000)    |            |            |             |
| Less construction in progress                          |             | (5,000)     | (440,000)  |            |             |
| Total - end of year                                    |             | 9,433,000   | 23,630,000 |            |             |
| Total - beginning of year (from 1997 report)           |             | 8,567,000   | 22,370,000 |            |             |
| Total - beginning and ending                           |             | 18,000,000  | 46,000,000 |            |             |
| Average owned property                                 | 32,000,000  | 9,000,000   | 23,000,000 |            |             |
| Rent expense (excluding intercompany and non-business) | -           | -           | -          |            |             |
| Capitalized (times 8)                                  | -           | -           | -          |            |             |
| Combined Alaska property                               | 32,000,000  | 9,000,000   | 23,000,000 |            |             |
| Property Factor  | 32.0000%    | 9.0000%     | 23.0000%   |            |             |

| APPORTIONMENT FACTOR           | COMBINED | CORP A   | CORP C   |
|--------------------------------|----------|----------|----------|
| Payroll Factor                 | 25.0000% | 5.0000%  | 20.0000% |
| Sales Factor                   | 18.0000% | 16.0000% | 2.0000%  |
| Property Factor                | 32.0000% | 9.0000%  | 23.0000% |
| Total                          | 75.0000% | 30.0000% | 45.0000% |
| Apportionment Factor - Average | 25.0000% | 10.0000% | 15.0000% |

# WORKSHEET 6

## Capital and Section 1231 Gains and (Losses)

### 6A

The unitary group realized the following gains and lossess during the tax year

|                                   | Total     | CORP A    | CORP B   | CORP C    | CORP D    | CORP E |
|-----------------------------------|-----------|-----------|----------|-----------|-----------|--------|
| Short Term Capital Gain or (Loss) | (40,000)  | -         | (30,000) | (10,000)  | (100,000) | -      |
| Long Term Capital Gain or (Loss)  | 840,000   | 800,000   | 60,000   | (20,000)  | (40,000)  | -      |
| Section 1231 Gain or (Loss)       | (250,000) | (150,000) | 20,000   | (120,000) | -         | -      |
| Depreciation Recapture            | 80,000    | 30,000    |          | 50,000    | -         | -      |

### 6B

The gains and losses in Worksheet 6A are recognized in federal taxable income as follows:

|                                  | Consolidated | Eliminations | Total     | CORP A    | CORP B | CORP C    | CORP D | CORP E |
|----------------------------------|--------------|--------------|-----------|-----------|--------|-----------|--------|--------|
| Line 8 - Capital Gain Net Income | 800,000      | (50,000)     | 850,000   | 800,000   | 50,000 | -         | -      | -      |
| Line 9 - Ordinary Gain or Loss   |              |              |           |           |        |           |        |        |
| Section 1231 Gain or Loss        | (250,000)    | 20,000       | (270,000) | (150,000) | -      | (120,000) | -      | -      |
| Depreciation Recapture           | 80,000       |              | 80,000    | 30,000    | -      | 50,000    | -      | -      |
| Total Line 9                     | (170,000)    | 20,000       | (190,000) | (120,000) | -      | (70,000)  | -      | -      |

### 6C

Of the gains and (losses) in Worksheet 6B, the following are included in combined income before modifications:

|                                 | Combined  | Eliminations | Total     | CORP A    |  | CORP C    | CORP D | CORP E |
|---------------------------------|-----------|--------------|-----------|-----------|--|-----------|--------|--------|
| Federal Capital Gain Net Income | 500,000   | (300,000)    | 800,000   | 800,000   |  | -         | -      | -      |
| Non-Business Gain or Loss       | 80,000    |              | 80,000    | 120,000   |  | (40,000)  | -      | -      |
| Business Gain or loss           | 420,000   | (300,000)    | 720,000   | 680,000   |  | 40,000    | -      | -      |
| Section 1231 Gain or Loss       | (270,000) |              | (270,000) | (150,000) |  | (120,000) | -      | -      |

These gains and (losses) are removed from combined income in Worksheet 4

### 6D

The Alaska capital and Section 1231 gains and losses are determined based upon the following gains and losses as allocated or apportioned to Alaska:

|  | Combined  | Eliminations | Total     | CORP A    |  | CORP C    | CORP D    | CORP E |
|--|-----------|--------------|-----------|-----------|--|-----------|-----------|--------|
| Business Short Term Capital Gain or (Loss) | (110,000) | -            | (110,000) | -         |  | (10,000)  | (100,000) | -      |
| Long Term Capital Gain or (Loss)           | 440,000   | (300,000)    | 740,000   | 800,000   |  | (20,000)  | (40,000)  | -      |
| Non-Business LTCG/(L)                      | 80,000    | -            | 80,000    | 120,000   |  | (40,000)  | -         | -      |
| Business LTCG/(L)                          | 360,000   | (300,000)    | 660,000   | 680,000   |  | 20,000    | (40,000)  | -      |
| Section 1231 Gain or (Loss)                | (270,000) | -            | (270,000) | (150,000) |  | (120,000) | -         | -      |

These amounts, after allocation and apportionment, are the basis of the taxpayer's Alaska Capital and Section 1231 Gains and Losses calculated on tax return Schedule J.

**WORKSHEET 7 - Alaska Items****7A  
CORP C's Tax Return Schedule J****SCHEDULE J - ALASKA CAPITAL AND SECTION 1231 GAINS AND LOSSES****Section 1231 Gains and Losses**

|   | A<br>Combined                    | B<br>AK Factor | C<br>Alaska Gain or (Loss) |
|---|----------------------------------|----------------|----------------------------|
| 1. Current section 1231 gains and (losses). If a loss enter the result on line 19.....                        | 1 (270,000) ( <i>Wksht. 6D</i> ) | 0.15           | (40,500)                   |
| 2. Alaska non-recaptured net section 1231 losses from prior years. Enter as a positive number.....            |                                  | 2              |                            |
| 3. If line 1C is a gain, subtract line 2 from line 1C, but not less than zero. Enter here and on line 15..... |                                  | 3              |                            |
| 4. If line 1C is a gain, enter the lesser of line 1C or line 2 here and on line 19, otherwise enter zero..... |                                  | 4              |                            |

**Short-Term Capital Gains and Losses***(Worksheet 6D)*

|  |             |      |          |
|--|-------------|------|----------|
| 5. Total current short-term capital gains and (losses).....                | 5 (110,000) |      |          |
| 6. Non-business short-term capital gains and (losses).....                 | 6           |      |          |
| 7. Apportionable STCG/(L). Subtract line 6 from line 5 and apportion ..... | 7 (110,000) | 0.15 | (16,500) |
| 8. Non-business STCG/(L) allocable to Alaska.....                          |             | 8    |          |
| 9. Alaska unused capital loss carryover.....                               |             | 9    |          |
| 10. Net short-term capital gain or (loss), add lines 7C, 8, and 9 .....    |             | 10   | (16,500) |

**Long-Term Capital Gains and Losses***(Worksheet 6D)*

|   |            |      |          |
|---|------------|------|----------|
| 11. Total current long-term capital gains and (losses) .....                  | 11 440,000 |      |          |
| 12. Non-business long-term capital gains and (losses) .....                   | 12 80,000  |      |          |
| 13. Apportionable LTCG/(L). Subtract line 12 from line 11 and apportion ..... | 13 360,000 | 0.15 | 54,000   |
| 14. Non-business LTCG/(L) allocable to Alaska.....                            |            | 14   | (40,000) |
| 15. Enter amount from line 3.....   |            | 15   |          |
| 16. Net long-term capital gain or (loss). Add lines 13C, 14, and 15.....      |            | 16   | 14,000   |

**Summary**

|  |    |          |
|--|----|----------|
| 17. Excess net short-term capital gain, line 10, over net long-term capital loss, line 16.....   | 17 |          |
| 18. Alaska net capital gain. Excess net long-term capital gain, line 16, over net short-term capital loss, line 10. Enter here and on Schedule D, line 2 ..... | 18 |          |
| 19. If line 1C is a loss, enter here, otherwise enter the amount from line 4.....  | 19 | (40,500) |
| 20. Add lines 17, 18, and 19. Enter here and on Schedule H, line 11a.....  | 20 | (40,500) |

**7B  
CORP C's Tax Return Schedule K****SCHEDULE K - ALASKA CHARITABLE CONTRIBUTION DEDUCTION**

|  |    |           |
|--|----|-----------|
| 1. Current charitable contributions.....   | 1  | 500,000   |
| 2. Alaska Education Credit contributions from Schedule G, line 1.....  | 2  | 200,000   |
| 3. Subtract line 2 from line 1 .....   | 3  | 300,000   |
| 4. Apportionment factor from Schedule I, line 5. Corporations operating only in Alaska, enter 1.0.....                   | 4  | 0.15      |
| 5. Current Alaska charitable contributions. Multiply line 3 by line 4.....   | 5  | 45,000    |
| 6. Alaska excess charitable contribution carryover from prior years. Enter as a positive number .....                    | 6  | 6,000     |
| 7. Add lines 5 and 6 .....   | 7  | 51,000    |
| 8. Enter the sum of Schedule H, lines 9, 10, and 11a, but not less than zero.....  | 8  | 1,576,000 |
| 9. Multiply line 8 times 10%.....  | 9  | 157,600   |
| 10. Alaska charitable contribution deduction. Enter the lesser of line 7 or line 9 here and on Schedule H, line 11b..... | 10 | 51,000    |
| 11. Alaska excess charitable contribution carryover. Line 7 minus line 10 .....  | 11 | 0         |

**7C  
CORP C's Tax Return Schedule L****SCHEDULE L - ALASKA DIVIDENDS-RECEIVED DEDUCTION (DRD)**

|   |    |         |
|---|----|---------|
| 1. Dividend income included in Schedule H, line 3 .....   | 1  | 510,000 |
| 2. Less: Dividends not eligible for DRD (do not include any dividend in more than one line below):      |    |         |
| (a) Intercompany dividends from Schedule H, line 6b .....   | 2a | 0       |
| (b) Section 78 gross-up dividends from Schedule H, line 6c .....  | 2b | 200,000 |
| (c) 100% of dividends from foreign corporations. Divide Schedule H, line 6d by 8.....                   | 2c | 200,000 |
| (d) Dividends subtracted on Schedule H, line 6f as non-business income .....                            | 2d | 10,000  |
| (e) Total subtractions (add lines 2a through 2d) .....  | 2e | 410,000 |
| 3. Total. Subtract line 2e from line 1 .....  | 3  | 100,000 |
| 4. Apportionment factor from Schedule I, line 5. Corporations operating only in Alaska, enter 1.0 ..... | 4  | 0.15    |
| 5. Apportioned dividends (multiply line 3 by line 4) .....  | 5  | 15,000  |
| 6. Add dividends allocable to Alaska included on Schedule H, line 10.....                               | 6  | 10,000  |
| 7. Total dividends included in taxable income (add lines 5 and 6).....                                  | 7  | 25,000  |

|   | A<br>Apportioned Dividends | B<br>Percentage | C<br>DRD (A x B) |
|---|----------------------------|-----------------|------------------|
| 8. DRD prior to limitations (segregate dividends in line 7 and multiply by proper %)  |                            |                 |                  |
| (a) Dividends qualifying for 100% deduction.....  | 8a                         | 100%            |                  |
| (b) Dividends qualifying for 80% deduction .....  | 8b                         | 80%             |                  |
| (c) Dividends qualifying for 70% deduction .....  | 8c                         | 70%             | 17,500           |
| (d) Other, if applicable (enter % in column B).....   | 8d                         |                 |                  |
| 9. Tentative dividends-received deduction. Add lines 8a through 8d, column C. Enter here and carry the deduction, subject to IRC 246 limitation based upon Alaska taxable income, to Schedule H, line 11c (see instructions)..... |                            | 9               | 17,500           |

# WORKSHEET 8

## CORP C's Tax Return Schedule H

### SCHEDULE H - COMPUTATION OF ALASKA INCOME

|  |     |               |                |
|--|-----|---------------|----------------|
| 1. Federal taxable income (loss), Form 1120, line 28, or Form 1120A, line 24 as actually filed by taxpayer or taxpayer's federal consolidated group..... |     | (Worksheet 1) |                |
|  | 1   |               | 14,940,000     |
| 2. Adjustments for combined reporting. <b>Affiliated taxpayers only.</b> (Attach schedules - by company):  |     |               |                |
| (a) Add: Form 1120, line 28 income (loss) of domestic unitary corporations not included in line 1 with 20% or greater U.S. factors.....                  | 2a  | (1,710,000)   | (Worksheet 1)  |
| (b) Add: Foreign unitary corporations with 20% or greater U.S. factors.....  | 2b  | 1,500,000     | (Worksheet 1)  |
| (c) Add: FSC profit before federal exemption, DISC, and tax haven corporations.....  | 2c  |               |                |
| (d) Remove: Federal taxable (income) loss of nonunitary corporations included in line 1.....   | 2d  |               |                |
| (e) Remove: Federal taxable (income) loss of unitary corporations included in line 1 whose average U.S. factors are less than 20%.....                   | 2e  | (4,400,000)   | (Worksheet 1)  |
| (f) Intercompany eliminations (see instructions).....  | 2f  | (230,000)     | see below      |
| (g) Total adjustments for combined reporting. Add lines 2a through 2f.....   | 2g  |               | (4,840,000)    |
| 3. Net income before state modifications and adjustments. Add lines 1 and 2g.....  | 3   |               | 10,100,000     |
| 4. Additions for items deducted in line 3 above (Attach schedules - by company):   |     |               |                |
|  |     | (Worksheet 4) |                |
| (a) Taxes based on or measured by net income.....  | 4a  | 860,000       |                |
| (b) Expenses incurred to produce non-business income.....  | 4b  | 1,000         |                |
| (c) Federal charitable contributions from federal Form 1120, line 19.....  | 4c  | 750,000       |                |
| (d) Net section 1231 losses from federal Form 4797, line 11.....   | 4d  | 270,000       |                |
| (e) Other (attach detailed schedule by type).....  | 4e  |               |                |
| (f) Total additions (add lines 4a through 4e).....   | 4f  |               | 1,881,000      |
| 5. Total. Add lines 3 and 4f.....  | 5   |               | 11,981,000     |
| 6. Subtractions for items included in line 3 above (Attach schedules - by company):  |     |               |                |
|  |     | (Worksheet 4) |                |
| (a) Interest from obligations of the United States.....  | 6a  | 1,000         |                |
| (b) Intercompany dividends between members of the water's edge group.....  | 6b  |               |                |
| (c) Section 78 gross-up dividends.....   | 6c  | 200,000       |                |
| (d) 80% of dividends received from foreign corporations.....   | 6d  | 160,000       |                |
| (e) 80% of royalties accrued or received from foreign corporations.....  | 6e  | 400,000       |                |
| (f) Non-business income (attach detailed schedule by type).....  | 6f  | 90,000        |                |
| (g) Federal Form 1120, line 8 capital gain income not included in line 6(f).....   | 6g  | 420,000       |                |
| (h) Net section 1231 gains from federal Form 4797, line 12.....  | 6h  |               |                |
| (i) Other (attach detailed schedule by type).....  | 6i  |               |                |
| (j) Total subtractions (add lines 6a through 6i).....  | 6j  |               | 1,271,000      |
| 7. Apportionable income (loss). Subtract line 6j from line 5.....  | 7   |               | 10,710,000     |
| 8. Apportionment factor from Schedule I, line 5.....   | 8   |               | 0.15           |
| 9. Income (loss) apportioned to Alaska (line 7 times line 8).....  | 9   |               | 1,606,500      |
| 10. Non-business income (loss) net of expenses allocable to Alaska (attach schedule by company and type).....  | 10  |               | 10,000         |
| 11. Alaska Items:  |     |               |                |
| (a) Alaska capital and section 1231 gain (loss) from Schedule J, line 20.....  | 11a | (40,500)      | (Worksheet 7A) |
| (b) Alaska charitable contribution deduction from Schedule K, line 10.....   | 11b | (51,000)      | Worksheet 7B)  |
| (c) Alaska dividends-received deduction from Schedule L.....   | 11c | (17,500)      | Worksheet 7C)  |
| (d) Total (add lines 11a through 11c).....   | 11d |               | (109,000)      |
| 12. Alaska taxable income (loss) before net operating loss. Add lines 9, 10 and 11d. Enter here and on Schedule A, line 1.....                           | 12  |               | 1,507,500      |

Reverse federal consolidation eliminations and adjustments  
Intercompany eliminations of the water's edge combined group  
Intercompany Eliminations Adjustment - Schedule H, Line 2(f)

(From Worksheet 1) 70,000  
(From Worksheet 3) (300,000)  
(230,000)

# Alaska Corporate Net Income Tax

## GUIDE TO RETURNS BASED ON A COMBINED REPORT

### CONSOLIDATED RETURNS BASED ON A COMBINED REPORT

Alaska consolidated returns resemble but do not mirror a federal consolidated return. Significant portions of the Internal Revenue Code have been adopted by Alaska for general application. Sections 1-1399, for example, are generally applicable in full to the extent that they are compatible with combined reporting and apportionment. In contrast, the federal consolidated return rules are applied very narrowly to construct the Alaska “consolidated items”: Alaska items, income tax, credits, and other taxes; and to govern the allocation of tax attributes among consolidated taxpayers.

A consolidated Alaska return reflects the taxable income, tax, and credits of the consolidated group of taxpayers as that of a single taxpayer. The income, credits, and other taxes must be allocated and apportioned separately by each taxpayer. The separately allocated and apportioned values are then consolidated to arrive at consolidated taxable income, income tax, credits and other taxes.

This consolidated return example applies equally for a taxpayer that conducts two or more unitary businesses within Alaska. In the case of a taxpayer that conducts more than one unitary business in Alaska, each unitary business of the taxpayer should be treated as an individual taxpayer and the allocated and apportioned values of each unitary business then consolidated to determine the taxpayer’s total income earned in Alaska.

#### STEPS 1-5

**Steps 1 through 5 are unaffected by consolidation.** Under the facts in this example, Corporation A and C have identical water’s edge combined groups (this will be true of most consolidated taxpayers). The same combined income, modifications, and adjustments used to reach apportionable income before Alaska items for the individual returns of Corporation A and C are used in the consolidated return. Similarly, the allocable and apportionable Alaska item components are those of Corporation A and C’s individual company returns.

#### STEPS 6 and 7

Alaska “consolidation” takes place in Steps 6 and 7 where the allocated and apportioned income, including Alaska items, are combined and the Alaska items, taxes, and credits are determined on a consolidated basis.

Apportion the business income before Alaska items of each consolidated taxpayer and combine the apportioned income. Non-business income allocated to Alaska must be included in consolidated taxable income. As with individual taxpayer returns, care must be taken to retain the character of allocated and apportioned income where necessary to properly measure an Alaska item.

|                                    | CORP A    | CORP C    | Consolidated |
|------------------------------------|-----------|-----------|--------------|
| Income Before Alaska Items         |           |           |              |
| Apportioned Income                 | 1,071,000 | 1,606,500 | 2,677,500    |
| Allocated – Non-business           | 0         | 10,000    | 10,000       |
| Taxable Income Before Alaska Items |           |           | 2,687,500    |

Alaska items are determined on a consolidated basis after allocation and apportionment. The consolidated Alaska net capital gain of Corporations A and C differs from the sum of their separate company net capital gains because, on consolidation, Corporation A’s net capital gain is offset by Corporation C’s loss.

|                             | CORP A   | CORP C   | Consolidated |
|-----------------------------|----------|----------|--------------|
| Business STCG/(L)           | (11,000) | (16,500) | (27,500)     |
| Business LTCG/(L)           | 36,000   | 54,000   | 90,000       |
| Non-business LTCG/(L)       |          | (40,000) | (40,000)     |
| Total LTCG/(L)              |          |          | 50,000       |
| Section 1231 Gain or (Loss) | (27,000) | (40,500) | (67,500)     |

These allocated and apportioned gains and losses are reported on Schedule J of the Alaska tax return Form 04-611 (shown on Worksheet 9A, Page 17) and produce the following consolidated capital and Section 1231 gains and losses:

|  | Consolidated |
|--|--------------|
| Consolidated Capital and Section 1231 Gain or Loss | (45,000)     |
| Consolidated Net Capital Gain                      | 22,500       |
| Consolidated Excess Capital Loss Carryover         | 0            |

The consolidated Alaska charitable contribution deduction is the total of the apportioned contributions of the consolidated group. The deduction is limited to 10% of the consolidated taxable income base specified in Internal Revenue Code Section 170. Tax return Schedule K (refer to Worksheet 9B, Page 17) calculates the Alaska charitable contribution deduction.

|   | CORP A | CORP C | Consolidated |
|---|--------|--------|--------------|
| Apportioned Contributions                             | 30,000 | 45,000 | 75,000       |
| Alaska Excess Contribution Carryover                  |        |        | 6,000        |
| Tentative Deduction                                   |        |        | 81,000       |
| Deduction Limitation                                  |        |        |              |
| Income Before Alaska Items                            |        |        | 2,687,500    |
| Capital and Section 1231 G/(L)                        |        |        | (45,000)     |
| Limitation Income Base                                |        |        | 2,642,500    |
| Contribution Deduction limit – 10%                    |        |        | 264,250      |
| Consolidated Alaska Charitable Contribution Deduction |        |        | 81,000       |

The consolidated dividends-received deduction is similarly determined based on the total allocated and apportioned dividends (taxable) of the consolidated taxpayers and limited by Internal Revenue Code 246 based on consolidated Alaska income. Alaska tax return Form 04-611, Schedule L is used to report the taxpayer’s Alaska dividends-received deduction as illustrated on Worksheet 9C (Page 17).



# Alaska Corporate Net Income Tax

## GUIDE TO RETURNS BASED ON A COMBINED REPORT

|  |        |        |              |
|--|--------|--------|--------------|
| Qualified Dividends                              | CORP A | CORP C | Consolidated |
| Apportioned Dividends                            | 10,000 | 15,000 | 25,000       |
| Non-business Dividends Allocated to Alaska       |        | 10,000 | 10,000       |
| Total  |        |        | 35,000       |
| Applicable DRD Percentage                        |        |        | 70%          |
| Consolidated Alaska Dividends-Received Deduction |        |        | 24,500       |

Taxable income is reported on tax return Schedule H shown in Worksheet 10 (Page 18). Consolidated taxable income and the consolidated net income tax are:

|  |              |
|--|--------------|
|  | Consolidated |
| Taxable Income before Alaska Items               | 2,687,500    |
| Alaska capital and Section 1231 Gains and Losses | (45,000)     |
| Alaska Contribution Deduction                    | (81,000)     |
| Alaska Dividends-Received Deduction              | (24,500)     |
| Consolidated Alaska Taxable Income               | 2,537,000    |

The consolidated tax liability is based upon consolidated taxable income:

|                         |              |
|-------------------------|--------------|
|                         | Consolidated |
| Alaska Taxable Income   | 2,537,000    |
| Alaska Net Capital Gain | 22,500       |
| Ordinary Income         | 2,514,500    |
| Tax on Ordinary Income  | 232,403      |
| Tax on Net capital Gain | 1,013        |
| Alaska Net Income Tax   | 233,416      |

Consolidated apportionable federal credits and Alaska AMT are similarly calculated by totaling each taxpayer's apportioned credit or tax. The use of apportionable federal credits may be limited based on consolidated net income tax. The Alaska general business credit limitation, claimed on Schedule F of the Alaska Form 04-611, follows its federal counterpart.

|                                 |        |        |              |
|---------------------------------|--------|--------|--------------|
|                                 | CORP A | CORP C | Consolidated |
| Apportioned Federal Jobs credit | 1,000  | 1,500  | 2,500        |
| Apportioned Federal AMT         | 5,000  | 7,500  | 12,500       |

In its individual company return, Corporation C's Alaska Education Credit was limited to its net income tax after apportioned federal credits and other taxes of \$143,745. In the consolidated return of Corporations A and C, the full \$150,000 of credit is allowed based upon the consolidated tax liability.

|                                    | Contribution | Rate | Credit  |
|------------------------------------|--------------|------|---------|
| Qualified Charitable Contributions |              |      |         |
| \$0 - \$100,000                    | 100,000      | 50%  | 50,000  |
| Qualified Charitable Contributions |              |      |         |
| \$100,000 - \$200,000              | 100,000      | 100% | 100,000 |
| Contributions – Not Deductible     | 200,000      |      |         |
| Tentative Credit                   |              |      | 150,000 |
| Credit Limitation                  |              |      |         |
| Net Income Tax                     | 233,416      |      |         |
| Apportioned Federal Credits        | (2,500)      |      |         |
| Alaska AMT                         | 12,500       |      |         |
| Tax Before Alaska Education Credit | 243,416      |      |         |
| Alaska Education Credit            |              |      | 150,000 |

This completes the calculation of the taxable income and tax for consolidated Corporations A and C. A complete set of Alaska Corporation Net Income Tax forms reflecting the consolidated return of Corporations A and C can be found in Appendix C. The consolidated return in summary is:

|  |              |
|--|--------------|
|  | Consolidated |
| Taxable Income before Alaska Items               | 2,687,500    |
| Alaska Capital and Section 1231 Gains and Losses | (45,000)     |
| Alaska Contribution Deduction                    | (81,000)     |
| Alaska Dividends-Received Deduction              | (24,500)     |
| Consolidated Alaska Taxable Income               | 2,537,000    |
| Alaska Income Tax                                | 233,416      |
| Apportioned Federal Credits                      | (2,500)      |
| Other Taxes – Alaska AMT                         | 12,500       |
| Alaska Education Credit                          | (150,000)    |
| Net Alaska Income Tax                            | 93,416       |

Completed corporate income tax forms for the consolidated return of Corporations A and C are at Appendix C.

# Worksheet 9 - Consolidated Alaska Items

## 9A

### CORPS A & C Consolidated Tax Return Schedule J

#### SCHEDULE J - ALASKA CAPITAL AND SECTION 1231 GAINS AND LOSSES

| Section 1231 Gains and Losses  |    | A<br>Combined         | B<br>AK Factor | C<br>Alaska Gain or (Loss) |
|--|----|-----------------------|----------------|----------------------------|
| 1. Current section 1231 gains and (losses). If a loss enter the result on line 19.....   | 1  | (270,000) (Wksht. 6D) | 0.25           | (67,500)                   |
| 2. Alaska non-recaptured net section 1231 losses from prior years. Enter as a positive number.....   | 2  |                       |                |                            |
| 3. If line 1C is a gain, subtract line 2 from line 1C, but not less than zero. Enter here and on line 15.....  | 3  |                       |                |                            |
| 4. If line 1C is a gain, enter the lesser of line 1C or line 2 here and on line 19, otherwise enter zero.....  | 4  |                       |                |                            |
| <b>Short-Term Capital Gains and Losses</b><br>(Worksheet 6D)   |    |                       |                |                            |
| 5. Total current short-term capital gains and (losses).....  | 5  | (110,000)             |                |                            |
| 6. Non-business short-term capital gains and (losses).....   | 6  |                       |                |                            |
| 7. Apportionable STCG/(L). Subtract line 6 from line 5 and apportion .....   | 7  | (110,000)             | 0.25           | (27,500)                   |
| 8. Non-business STCG/(L) allocable to Alaska.....  | 8  |                       |                |                            |
| 9. Alaska unused capital loss carryover.....   | 9  |                       |                |                            |
| 10. Net short-term capital gain or (loss), add lines 7C, 8, and 9 .....  | 10 |                       |                | (27,500)                   |
| <b>Long-Term Capital Gains and Losses</b><br>(Worksheet 6D)  |    |                       |                |                            |
| 11. Total current long-term capital gains and (losses) .....   | 11 | 440,000               |                |                            |
| 12. Non-business long-term capital gains and (losses) .....  | 12 | 80,000                |                |                            |
| 13. Apportionable LTCG/(L). Subtract line 12 from line 11 and apportion .....  | 13 | 360,000               | 0.25           | 90,000                     |
| 14. Non-business LTCG/(L) allocable to Alaska.....   | 14 |                       |                | (40,000)                   |
| 15. Enter amount from line 3.....  | 15 |                       |                |                            |
| 16. Net long-term capital gain or (loss). Add lines 13C, 14, and 15.....   | 16 |                       |                | 50,000                     |
| <b>Summary</b>   |    |                       |                |                            |
| 17. Excess net short-term capital gain, line 10, over net long-term capital loss, line 16.....   | 17 |                       |                |                            |
| 18. Alaska net capital gain. Excess net long-term capital gain, line 16, over net short-term capital loss, line 10. Enter here and on Schedule D, line 2 ..... | 18 |                       |                | 22,500                     |
| 19. If line 1C is a loss, enter here, otherwise enter the amount from line 4.....  | 19 |                       |                | (67,500)                   |
| 20. Add lines 17, 18, and 19. Enter here and on Schedule H, line 11a.....  | 20 |                       |                | (45,000)                   |

## 9B

### CORPS A & C Consolidated Tax Return Schedule K

#### SCHEDULE K - ALASKA CHARITABLE CONTRIBUTION DEDUCTION

|  |    |           |
|--|----|-----------|
| 1. Current charitable contributions.....   | 1  | 500,000   |
| 2. Alaska Education Credit contributions from Schedule G, line 1.....  | 2  | 200,000   |
| 3. Subtract line 2 from line 1 .....   | 3  | 300,000   |
| 4. Apportionment factor from Schedule I, line 5. Corporations operating only in Alaska, enter 1.0.....                   | 4  | 0.25      |
| 5. Current Alaska charitable contributions. Multiply line 3 by line 4.....   | 5  | 75,000    |
| 6. Alaska excess charitable contribution carryover from prior years. Enter as a positive number .....                    | 6  | 6,000     |
| 7. Add lines 5 and 6 .....   | 7  | 81,000    |
| 8. Enter the sum of Schedule H, lines 9, 10, and 11a, but not less than zero.....  | 8  | 2,642,500 |
| 9. Multiply line 8 times 10%.....  | 9  | 264,250   |
| 10. Alaska charitable contribution deduction. Enter the lesser of line 7 or line 9 here and on Schedule H, line 11b..... | 10 | 81,000    |
| 11. Alaska excess charitable contribution carryover. Line 7 minus line 10 .....  | 11 | 0         |

## 9C

### CORPS A & C Consolidated Tax Return Schedule L

#### SCHEDULE L - ALASKA DIVIDENDS-RECEIVED DEDUCTION (DRD)

|   |    |         |
|---|----|---------|
| 1. Dividend income included in Schedule H, line 3 .....   | 1  | 510,000 |
| 2. Less: Dividends not eligible for DRD (do not include any dividend in more than one line below):  |    |         |
| (a) Intercompany dividends from Schedule H, line 6b .....   | 2a | 0       |
| (b) Section 78 gross-up dividends from Schedule H, line 6c .....  | 2b | 200,000 |
| (c) 100% of dividends from foreign corporations. Divide Schedule H, line 6d by .8.....  | 2c | 200,000 |
| (d) Dividends subtracted on Schedule H, line 6f as non-business income .....  | 2d | 10,000  |
| (e) Total subtractions (add lines 2a through 2d) .....  | 2e | 410,000 |
| 3. Total. Subtract line 2e from line 1 .....  | 3  | 100,000 |
| 4. Apportionment factor from Schedule I, line 5. Corporations operating only in Alaska, enter 1.0 .....   | 4  | 0.25    |
| 5. Apportioned dividends (multiply line 3 by line 4) .....  | 5  | 25,000  |
| 6. Add dividends allocable to Alaska included on Schedule H, line 10.....   | 6  | 10,000  |
| 7. Total dividends included in taxable income (add lines 5 and 6).....  | 7  | 35,000  |
| 8. DRD prior to limitations (segregate dividends in line 7 and multiply by proper %)  |    |         |
| (a) Dividends qualifying for 100% deduction.....  | 8a |         |
| (b) Dividends qualifying for 80% deduction .....  | 8b |         |
| (c) Dividends qualifying for 70% deduction .....  | 8c | 35,000  |
| (d) Other, if applicable (enter % in column B).....   | 8d |         |
| 9. Tentative dividends-received deduction. Add lines 8a through 8d, column C. Enter here and carry the deduction, subject to IRC 246 limitation based upon Alaska taxable income, to Schedule H, line 11c (see instructions)..... | 9  | 24,500  |

# WORKSHEET 10

## CORPS A & C Consolidated Tax Return Schedule H

### SCHEDULE H - COMPUTATION OF ALASKA INCOME

|  |     |             |                |
|--|-----|-------------|----------------|
| 1. Federal taxable income (loss), Form 1120, line 28, or Form 1120A, line 24 as actually filed by taxpayer or taxpayer's federal consolidated group..... |     |             | (Worksheet 1)  |
|  | 1   | 14,940,000  |                |
| 2. Adjustments for combined reporting. <b>Affiliated taxpayers only.</b> (Attach schedules - by company):  |     |             |                |
| (a) Add: Form 1120, line 28 income (loss) of domestic unitary corporations not included in line 1 with 20% or greater U.S. factors.....                  | 2a  | (1,710,000) | (Worksheet 1)  |
| (b) Add: Foreign unitary corporations with 20% or greater U.S. factors.....  | 2b  | 1,500,000   | (Worksheet 1)  |
| (c) Add: FSC profit before federal exemption, DISC, and tax haven corporations.....  | 2c  |             |                |
| (d) Remove: Federal taxable (income) loss of nonunitary corporations included in line 1.....   | 2d  |             |                |
| (e) Remove: Federal taxable (income) loss of unitary corporations included in line 1 whose average U.S. factors are less than 20%.....                   | 2e  | (4,400,000) | (Worksheet 1)  |
| (f) Intercompany eliminations (see instructions).....  | 2f  | (230,000)   | see below      |
| (g) Total adjustments for combined reporting. Add lines 2a through 2f.....   | 2g  | (4,840,000) |                |
| 3. Net income before state modifications and adjustments. Add lines 1 and 2g.....  | 3   | 10,100,000  |                |
| 4. Additions for items deducted in line 3 above (Attach schedules - by company): (Worksheet 4)   |     |             |                |
| (a) Taxes based on or measured by net income.....  | 4a  | 860,000     |                |
| (b) Expenses incurred to produce non-business income.....  | 4b  | 1,000       |                |
| (c) Federal charitable contributions from federal Form 1120, line 19 .....   | 4c  | 750,000     |                |
| (d) Net section 1231 losses from federal Form 4797, line 11.....   | 4d  | 270,000     |                |
| (e) Other (attach detailed schedule by type).....  | 4e  |             |                |
| (f) Total additions (add lines 4a through 4e).....   | 4f  | 1,881,000   |                |
| 5. Total. Add lines 3 and 4f.....  | 5   | 11,981,000  |                |
| 6. Subtractions for items included in line 3 above (Attach schedules - by company): (Worksheet 4)  |     |             |                |
| (a) Interest from obligations of the United States.....  | 6a  | 1,000       |                |
| (b) Intercompany dividends between members of the water's edge group.....  | 6b  |             |                |
| (c) Section 78 gross-up dividends.....   | 6c  | 200,000     |                |
| (d) 80% of dividends received from foreign corporations.....   | 6d  | 160,000     |                |
| (e) 80% of royalties accrued or received from foreign corporations.....  | 6e  | 400,000     |                |
| (f) Non-business income (attach detailed schedule by type) .....   | 6f  | 90,000      |                |
| (g) Federal Form 1120, line 8 capital gain income not included in line 6(f).....   | 6g  | 420,000     |                |
| (h) Net section 1231 gains from federal Form 4797, line 12.....  | 6h  |             |                |
| (i) Other (attach detailed schedule by type).....  | 6i  |             |                |
| (j) Total subtractions (add lines 6a through 6i).....  | 6j  | 1,271,000   |                |
| 7. Apportionable income (loss). Subtract line 6j from line 5.....  | 7   | 10,710,000  |                |
| 8. Apportionment factor from Schedule I, line 5.....   | 8   | 0.25        |                |
| 9. Income (loss) apportioned to Alaska (line 7 times line 8).....  | 9   | 2,677,500   |                |
| 10. Non-business income (loss) net of expenses allocable to Alaska (attach schedule by company and type).....  | 10  | 10,000      |                |
| 11. Alaska Items:  |     |             |                |
| (a) Alaska capital and section 1231 gain (loss) from Schedule J, line 20.....  | 11a | (45,000)    | (Worksheet 9A) |
| (b) Alaska charitable contribution deduction from Schedule K, line 10.....   | 11b | (81,000)    | (Worksheet 9B) |
| (c) Alaska dividends-received deduction from Schedule L.....   | 11c | (24,500)    | (Worksheet 9C) |
| (d) Total (add lines 11a through 11c).....   | 11d | (150,500)   |                |
| 12. Alaska taxable income (loss) before net operating loss. Add lines 9, 10 and 11d. Enter here and on Schedule A, line 1.....                           | 12  | 2,537,000   |                |

Reverse federal consolidation eliminations and adjustments  
Intercompany eliminations of the water's edge combined group  
Intercompany Eliminations Adjustment - Schedule H, Line 2(f)

(From Worksheet 1) 70,000  
(From Worksheet 3) (300,000)  
(230,000)

## Appendix A

FORM  
04-611

## ALASKA CORPORATION NET INCOME TAX RETURN

1998

For the calendar year 1998 or the taxable year beginning

\_\_\_\_\_, 1998 and ending \_\_\_\_\_, 19\_\_\_\_

DEPARTMENT USE ONLY

|                       |                      |                          |                           |
|-----------------------|----------------------|--------------------------|---------------------------|
| Federal EIN           | Alaska Commerce ID # | NAICS Code               | Alaska Business License # |
| Name<br><b>CORP A</b> | Telephone Number     |                          |                           |
| Mailing Address       | Fax Number           |                          |                           |
| City                  | State                | Zip Code                 | E-Mail Address            |
| Contact Person        | Title                | Contact Telephone Number |                           |

|   |   |  |    |                   |                          |                          |  |                          |                          |  |                          |                          |  |                          |                          |   |                          |                          |  |                          |                          |  |
|---|---|--|----|-------------------|--------------------------|--------------------------|--|--------------------------|--------------------------|--|--------------------------|--------------------------|--|--------------------------|--------------------------|---|--------------------------|--------------------------|--|--------------------------|--------------------------|--|
| Check applicable boxes:   | RETURN DATA   |  |    |                   |                          |                          |  |                          |                          |  |                          |                          |  |                          |                          |   |                          |                          |  |                          |                          |  |
| <input type="checkbox"/> First Alaska return<br><input type="checkbox"/> Final Alaska return<br><input type="checkbox"/> Name or address change since last year<br><input type="checkbox"/> Limited Liability Company (LLC)<br><input type="checkbox"/> Exempt organization (see instructions)<br><input type="checkbox"/> S-Corporation (Attach 1120S)<br><input type="checkbox"/> Homeowners Association (Attach 1120H) | <table border="1"> <tr> <td>Yes</td> <td>No</td> <td>(Check Yes or No)</td> </tr> <tr> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td>1. Is a federal extension in effect? If yes, attach a copy of Form 7004.</td> </tr> <tr> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td>2. Is this an information report for a corporation that is inactive in Alaska?</td> </tr> <tr> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td>3. Is this a non-affiliated corporation doing business only in Alaska with an apportionment factor of 1.00? Note: If yes, use Short Form 04-611SF.</td> </tr> <tr> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td>4. Is this a water's edge combination? See AS 43.20.073. If yes, Schedule B, question #1 must be completed.</td> </tr> <tr> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td>5. Is this a consolidated Alaska return including more than one corporation with Alaska business activity? If yes, complete Schedule B, question #1.</td> </tr> <tr> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td>6. Are any business activities conducted by a member of the affiliated group excluded from the combined report as non-unitary business activities?</td> </tr> </table> | Yes  | No | (Check Yes or No) | <input type="checkbox"/> | <input type="checkbox"/> | 1. Is a federal extension in effect? If yes, attach a copy of Form 7004. | <input type="checkbox"/> | <input type="checkbox"/> | 2. Is this an information report for a corporation that is inactive in Alaska? | <input type="checkbox"/> | <input type="checkbox"/> | 3. Is this a non-affiliated corporation doing business only in Alaska with an apportionment factor of 1.00? Note: If yes, use Short Form 04-611SF. | <input type="checkbox"/> | <input type="checkbox"/> | 4. Is this a water's edge combination? See AS 43.20.073. If yes, Schedule B, question #1 must be completed. | <input type="checkbox"/> | <input type="checkbox"/> | 5. Is this a consolidated Alaska return including more than one corporation with Alaska business activity? If yes, complete Schedule B, question #1. | <input type="checkbox"/> | <input type="checkbox"/> | 6. Are any business activities conducted by a member of the affiliated group excluded from the combined report as non-unitary business activities? |
| Yes   | No  | (Check Yes or No)  |    |                   |                          |                          |  |                          |                          |  |                          |                          |  |                          |                          |   |                          |                          |  |                          |                          |  |
| <input type="checkbox"/>  | <input type="checkbox"/>  | 1. Is a federal extension in effect? If yes, attach a copy of Form 7004.   |    |                   |                          |                          |  |                          |                          |  |                          |                          |  |                          |                          |   |                          |                          |  |                          |                          |  |
| <input type="checkbox"/>  | <input type="checkbox"/>  | 2. Is this an information report for a corporation that is inactive in Alaska?   |    |                   |                          |                          |  |                          |                          |  |                          |                          |  |                          |                          |   |                          |                          |  |                          |                          |  |
| <input type="checkbox"/>  | <input type="checkbox"/>  | 3. Is this a non-affiliated corporation doing business only in Alaska with an apportionment factor of 1.00? Note: If yes, use Short Form 04-611SF.   |    |                   |                          |                          |  |                          |                          |  |                          |                          |  |                          |                          |   |                          |                          |  |                          |                          |  |
| <input type="checkbox"/>  | <input type="checkbox"/>  | 4. Is this a water's edge combination? See AS 43.20.073. If yes, Schedule B, question #1 must be completed.  |    |                   |                          |                          |  |                          |                          |  |                          |                          |  |                          |                          |   |                          |                          |  |                          |                          |  |
| <input type="checkbox"/>  | <input type="checkbox"/>  | 5. Is this a consolidated Alaska return including more than one corporation with Alaska business activity? If yes, complete Schedule B, question #1. |    |                   |                          |                          |  |                          |                          |  |                          |                          |  |                          |                          |   |                          |                          |  |                          |                          |  |
| <input type="checkbox"/>  | <input type="checkbox"/>  | 6. Are any business activities conducted by a member of the affiliated group excluded from the combined report as non-unitary business activities?   |    |                   |                          |                          |  |                          |                          |  |                          |                          |  |                          |                          |   |                          |                          |  |                          |                          |  |

## ► SCHEDULE A - NET INCOME TAX SUMMARY

|   |             | DEPT USE ONLY |
|---|-------------|---------------|
| 1. Alaska income (loss) from Schedule H.....  | 1 1,032,000 |               |
| 2. Alaska net operating loss deduction (attach schedule).....   | 2 -         | NL            |
| 3. Alaska taxable income. Subtract line 2 from line 1.....  | 3 1,032,000 | TI            |
| 4. Alaska income tax from Schedule D, line 7.....   | 4 91,823    | TX            |
| 5. Other taxes from Schedule E, line 8.....   | 5 5,000     | OT            |
| 6. Federal-based credits from Schedule F, line 16.....  | 6 (1,000)   | CR            |
| 7. Total Tax. Sum of lines 4, 5 and 6.....  | 7 95,823    |               |
| 8. Incentive Credits (see instructions).....  | 8 ( )       | IC            |
| 9. Alaska Education Credit from Schedule G, line 4.....   | 9 ( )       | EC            |
| 10. Net Alaska income tax (line 7, net of lines 8 and 9) if more than \$500,<br>attach Form 04-708..... | 10 95,823   | NT            |
| 11. Payments from Page 3, Schedule C.....   | 11          | PT            |
| 12. Tax due. If line 10 is larger than line 11, enter amount of tax due.....                            | 12          |               |
| 13. Overpayment. If line 11 is larger than line 10, enter amount overpaid.....                          | 13          |               |
| 14. Penalty for underpayment of estimated tax (Form 04-708, line 18, see instructions).....             | 14          | UP            |
| 15. Penalty for failure to file (see instructions).....   | 15          | PF            |
| 16. Penalty for failure to pay (see instructions).....  | 16          | PP            |
| 17. Interest (see instructions).....  | 17          | IN            |
| 18. Total amount due (overpaid). Line 12 plus lines 14-17, or line 13 less lines 14-17.....             | 18          |               |
| 19. Overpayment credited to 1999 estimated tax.....   | 19          | CF            |
| 20. Refund (line 18 reduced by line 19).....  | 20          | RF            |

|   |      |   |               |
|---|------|---|---------------|
| I declare, under penalties of perjury, that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge. |      |   | DEPT USE ONLY |
| Officer's Signature   | Date | Title   | CFWD          |
| Preparer's Signature  | Date | Check if <input type="checkbox"/> self-employed | REFUND        |
| Firm's name (or yours if self-employed) and address   |      | E.I. No.  | APPROVED      |
|   |      | Zip Code  | DATE          |

# Appendix A

## SCHEDULE B - TAXPAYER INFORMATION

**1. Affiliated Taxpayer Information.** Complete the following information for all Alaska taxpayers included in the affiliated group of the taxpayer(s): It is only those corporations having nexus in Alaska. You may also use this schedule to satisfy information reporting requirements of affiliated corporations registered to do business in Alaska which have no business activity in the state.

| No. | ( a )<br>Name and Address of each Alaska taxpayer<br>in the affiliated group<br>(Attach schedule if additional space is required) | ( b )<br>Federal Employer<br>ID Number | ( c )<br>Alaska Commerce<br>File Number | ( d )<br>Alaska Business<br>License Number | ( e )<br>Is this an inactive<br>corporation<br>report?<br>Y / N | ( f )<br>Year Began<br>Doing<br>Business<br>in Alaska | ( g )<br>State of<br>Commercial<br>Domicile | ( h )<br>Included in<br>federal<br>Consolidated<br>Return Y/N | ( i )<br>Included as<br>a "taxpayer"<br>in this return<br>Y / N |
|-----|---|--|---|--|---|---|---|---|---|
| 1   | CORP A  |  |   |  | N   | 1980  | CA  | Y   | Y   |
| 2   | CORP C  |  |   |  | N   | 1988  | AK  | Y   | N   |
|     |   |  |   |  |   |   |   |   |   |
|     |   |  |   |  |   |   |   |   |   |
|     |   |  |   |  |   |   |   |   |   |
|     |   |  |   |  |   |   |   |   |   |
|     |   |  |   |  |   |   |   |   |   |

2. If any taxpayer included in this return is included in a federal consolidated return (Form 1120), provide the Name, Address, and Federal Employer Identification Number of the common parent of the federal consolidated group:

EIN: \_\_\_\_\_

Name: \_\_\_\_\_

Address: **A Corporation**

\_\_\_\_\_

3. If this is the first return, indicate whether:

- ☐ New business
- ☐ Successor to previously existing business

Enter name, address and federal Employer Identification Number of previous business:

EIN: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

4. Name and address on your prior year's return if different from page 1. State the reason for the change (e.g., merger, name change, etc.)

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Reason: \_\_\_\_\_

\_\_\_\_\_

# Appendix A

|                        |      |
|------------------------|------|
| NAME:<br><b>CORP A</b> | EIN: |
|------------------------|------|

## TAX RATE SCHEDULE (AS 43.20.011)

If your Alaska taxable income is:

| (1)<br>At least | (2)<br>But Less Than | (3)<br>Your Tax Is | (4)<br>Plus | (5)<br>Of The Amount Over |
|-----------------|----------------------|--------------------|-------------|---------------------------|
| -0-             | 10,000               | -0-                | 1%          | -0-                       |
| 10,000          | 20,000               | 100                | 2%          | 10,000                    |
| 20,000          | 30,000               | 300                | 3%          | 20,000                    |
| 30,000          | 40,000               | 600                | 4%          | 30,000                    |
| 40,000          | 50,000               | 1,000              | 5%          | 40,000                    |
| 50,000          | 60,000               | 1,500              | 6%          | 50,000                    |
| 60,000          | 70,000               | 2,100              | 7%          | 60,000                    |
| 70,000          | 80,000               | 2,800              | 8%          | 70,000                    |
| 80,000          | 90,000               | 3,600              | 9%          | 80,000                    |
| 90,000 or More  |                      | 4,500              | 9.4%        | 90,000                    |

## SCHEDULE C TAX PAYMENT RECORD

| Estimated Payments                        | Date   | Amount |
|---|--------|--------|
| (1)                                       | 04-711 |        |
| (2)                                       | 04-711 |        |
| (3)                                       | 04-711 |        |
| (4)                                       | 04-711 |        |
| Tentative Tax 04-709                      |        |        |
| Overpayment From Prior Year               |        |        |
| Apply Nonresident Affidavit Cash Security |        |        |
| Less: Quick Refund (Form 4466)            |        | ( )    |
| Total Payments to Schedule A, Line 11     |        | \$     |

## SCHEDULE D - ALASKA TAX COMPUTATION

|   | A            | B         |
|---|--------------|-----------|
| 1. Alaska taxable income from Schedule A, line 3.....   | 1 1,032,000  | 1,032,000 |
| 2. Net capital gain from Schedule J, line 18, but not more than line 1.<br>If line 1 is a loss, enter zero..... | 2 25,000     |           |
| 3. Ordinary income. Subtract line 2 from line 1. If less than zero, enter zero.....                             | 3 1,007,000  | 1,032,000 |
| 4. To compute the tax on ordinary income, apply the amount on line 3 to the Tax Rate Schedule                   |              |           |
| (a) Tax from column 3 of the Tax Rate Schedule.....   | 4a 4,500     | 4,500     |
| (b) Ordinary income from line 3 above.....  | 4b 1,007,000 | 1,032,000 |
| (c) Amount from column 5 of the Tax Rate Schedule.....  | 4c 90,000    | 90,000    |
| (d) Excess. Subtract line 4c from line 4b.....  | 4d 917,000   | 942,000   |
| (e) Percent from column 4 of the Tax Rate Schedule.....   | 4e 9.4%      | 9.4%      |
| (f) Multiply line 4d by line 4e.....  | 4f 86,198    | 88,548    |
| (g) Tax on ordinary income. Add lines 4a and 4f.....  | 4g 90,698    | 93,048    |
| 5. Tax on net capital gain. Multiply line 2 by 4.5%.....  | 5 1,125      |           |
| 6. Alaska income tax. Add lines 4g and 5.....   | 6 91,823     | 93,048    |
| 7. Enter the lesser of line 6, column A or B here and on Schedule A, line 4.....                                | 7 91,823     |           |

## SCHEDULE E - OTHER TAXES (AS 43.20.021)

|   | A          |       | B          |
|---|------------|-------|------------|
| 1. Alternative minimum tax from federal Form 4626.....                          | 1a 277,778 | x 18% | 1b 50,000  |
| 2. Credit for prior year minimum tax from Form 1120, Schedule J, line 4e.....   | 2a         | x 18% | 2b ( )     |
| 3. Other federal taxes (attach schedule).....                                   | 3a         | x 18% | 3b         |
| 4. Total other taxes. Add lines 1b through 3b.....                              |            |       | 4 50,000   |
| 5. Alaska apportionment factor, from Schedule I, line 5.....                    |            |       | 5 0.100000 |
| 6. Multiply line 4 by line 5.....   |            |       | 6 5,000    |
| 7. S-Corporation corporate level taxes, see instructions (attach Schedule)..... |            |       | 7 -        |
| 8. Add lines 6 and 7. Enter here and on Schedule A, line 5.....                 |            |       | 8 5,000    |

# Appendix A

|                     |      |
|---------------------|------|
| Name: <b>CORP A</b> | EIN: |
|---------------------|------|

## SCHEDULE F - CREDITS

|  |             |
|--|-------------|
| 1. Current year general business credit  |             |
| (a) Current year federal general business credit (line 2, Part I, Federal Form 3800).....  | 1a. 55,556  |
| (b) Current year federal investment tax credit (line 5, Part I, Federal Form 3468).....  | 1b.         |
| (c) Current year credit for employer social security and Medicare taxes paid on certain employee tips (line 6, Part I, federal Form 8846)..... | 1c.         |
| (d) Current year trans-Alaska pipeline liability fund credit (line 1n, Part I, federal Form 3800).....   | 1d.         |
| (e) Total of lines 1b through 1d.....  | 1e.         |
| (f) Current year general business credit. (Subtract line 1e from 1a).....  | 1f. 55,556  |
| 2. Alaska apportionment factor from Schedule I, line 5.....  | 2. 0.100000 |
| 3. Multiply line 1f by line 2.....   | 3. 5,556    |
| 4. Multiply line 3 by 18%.....   | 4. 1,000    |
| 5. Alaska general business credit carryover (attach schedule).....   | 5. -        |
| 6. Tentative general business credit. Add lines 4 and 5.....   | 6. 1,000    |
| 7. Alaska income tax from Schedule A, line 4.....  | 7. 91,823   |
| 8. Other federal-based credits that reduce regular tax before the general business credit  |             |
| (a) Nonconventional source fuel credit.....  | 8a.         |
| (b) Qualified electric vehicle credit (line 13, federal Form 8834).....  | 8b.         |
| (c) Total other federal-based credits. Add lines 8a and 8b.....  | 8c. -       |
| 9. Multiply line 8c by line 2.....   | 9. -        |
| 10. Multiply line 9 by 18%.....  | 10. -       |
| 11. Enter smaller of line 7 or line 10.....  | 11. -       |
| 12. Subtract line 11 from line 7.....  | 12. 91,823  |
| 13. If line 12 is greater than \$4,500, enter 25% of the excess.....   | 13. 21,831  |
| 14. Subtract line 13 from line 12.....   | 14. 69,992  |
| 15. Enter lesser of line 6 or line 14.....   | 15. 1,000   |
| 16. Total federal-based credits allowed. Add lines 11 and 15 and enter on Schedule A, line 6.....  | 16. 1,000   |
| 17. Alaska general business credit carryforward. Subtract line 15 from line 6 (but not less than zero).....                                    | 17.         |

## SCHEDULE G - ALASKA EDUCATION CREDIT

(AS 43.20.014)

A taxpayer is allowed a credit for cash contributions accepted for direct instruction, research and educational support purposes, including library and museum acquisitions. Contributions accepted for endowment purposes are also eligible for the credit. The contribution must be given to an accredited, nonprofit, two or four year public or private college or university in Alaska. Attach a schedule if more than four contributions were made. The Alaska education credit may not exceed \$150,000. A corresponding deduction for the gross qualified contribution (line 1 amount below) is not allowed under 26 U.S.C. 170 for purposes of this return.

| Payor | Name of College or University | Contribution(s) |        |
|-------|-------------------------------|-----------------|--------|
|       |                               | Date            | Amount |
|       |                               |                 |        |
|       |                               |                 |        |
|       |                               |                 |        |
|       |                               |                 |        |

|   |    |
|---|----|
| 1. Total qualified contributions. Enter the total of the qualified contributions but not more than \$200,000. Enter here and on Form 04-611 Schedule K, line 2.....   | 1. |
| 2. Enter lesser of \$50,000 or 50% of line 1.....   | 2. |
| 3. Subtract \$100,000 from line 1. If less than zero, enter zero. Do not enter more than \$100,000.....   | 3. |
| 4. Total Alaska education credit. Add lines 2 and 3; enter here and on Schedule A, line 9 (maximum: \$150,000) but not more than the total tax reduced by incentive credits (Schedule A, line 7 less line 8)..... | 4. |

# Appendix A

|  |      |
|--|------|
| NAME: <div style="text-align: center; font-size: 1.2em; font-weight: bold;">CORP A</div> | EIN: |
|--|------|

## SCHEDULE H - COMPUTATION OF ALASKA INCOME

|  |   |     |             |
|--|---|-----|-------------|
| 1. Federal taxable income (loss), Form 1120, line 28, or Form 1120A, line 24 as actually filed by taxpayer or taxpayer's federal consolidated group..... | ▶ | 1   | 14,940,000  |
| 2. Adjustments for combined reporting <b>Affiliated taxpayers only.</b> (Attach schedules - by company):   |   |     |             |
| (a) Add: Form 1120, line 28 income (loss) of domestic unitary corporations not included in line 1 with 20% or greater U.S. factors.....                  | ▶ | 2a  | (1,710,000) |
| (b) Add: Foreign unitary corporations with 20% or greater U.S. factors.....  |   | 2b  | 1,500,000   |
| (c) Add: FSC profit before federal exemption, DISC, and tax haven corporations.....  |   | 2c  |             |
| (d) Remove: Federal taxable (income) loss of nonunitary corporations included in line 1.....   |   | 2d  |             |
| (e) Remove: Federal taxable (income) loss of unitary corporations included in line 1 whose average U.S. factors are less than 20%.....                   |   | 2e  | (4,400,000) |
| (f) Intercompany eliminations (see instructions).....  |   | 2f  | (230,000)   |
| (g) Total adjustments for combined reporting. Add lines 2a through 2f.....   |   | 2g  | (4,840,000) |
| 3. Net income before state modifications and adjustments. Add lines 1 and 2g.....  |   | 3   | 10,100,000  |
| 4. Additions for items deducted in line 3 above (Attach schedules - by company):   |   |     |             |
| (a) Taxes based on or measured by net income.....  |   | 4a  | 860,000     |
| (b) Expenses incurred to produce non-business income.....  |   | 4b  | 1,000       |
| (c) Federal charitable contributions from federal Form 1120, line 19.....  |   | 4c  | 750,000     |
| (d) Net section 1231 losses from federal Form 4797, line 11.....   |   | 4d  | 270,000     |
| (e) Other (attach detailed schedule by type).....  |   | 4e  |             |
| (f) Total additions (add lines 4a through 4e).....   |   | 4f  | 1,881,000   |
| 5. Total. Add lines 3 and 4f.....  |   | 5   | 11,981,000  |
| 6. Subtractions for items included in line 3 above (Attach schedules - by company):  |   |     |             |
| (a) Interest from obligations of the United States.....  |   | 6a  | 1,000       |
| (b) Intercompany dividends between members of the water's edge group.....  |   | 6b  |             |
| (c) Section 78 gross-up dividends.....   |   | 6c  | 200,000     |
| (d) 80% of dividends received from foreign corporations.....   |   | 6d  | 160,000     |
| (e) 80% of royalties accrued or received from foreign corporations.....  |   | 6e  | 400,000     |
| (f) Non-business income (attach detailed schedule by type).....  |   | 6f  | 90,000      |
| (g) Federal Form 1120, line 8 capital gain income not included in line 6(f).....   |   | 6g  | 420,000     |
| (h) Net section 1231 gains from federal Form 4797, line 12.....  |   | 6h  |             |
| (i) Other (attach detailed schedule by type).....  |   | 6i  |             |
| (j) Total subtractions (add lines 6a through 6i).....  |   | 6j  | 1,271,000   |
| 7. Apportionable income (loss). Subtract line 6j from line 5.....  |   | 7   | 10,710,000  |
| 8. Apportionment factor from Schedule I, line 5.....   |   | 8   | 0.100000    |
| 9. Income (loss) apportioned to Alaska (line 7 times line 8).....  |   | 9   | 1,071,000   |
| 10. Non-business income (loss) net of expenses allocable to Alaska (attach schedule by company and type).....  | ▶ | 10  | -           |
| 11. Alaska Items:  |   |     |             |
| (a) Alaska capital and section 1231 gain (loss) from Schedule J, line 20.....  |   | 11a | (2,000)     |
| (b) Alaska charitable contribution deduction from Schedule K, line 10.....   |   | 11b | (30,000)    |
| (c) Alaska dividends-received deduction from Schedule L.....   |   | 11c | (7,000)     |
| (d) Total (add lines 11a through 11c).....   |   | 11d | (39,000)    |
| 12. Alaska taxable income (loss) before net operating loss. Add lines 9, 10 and 11d. Enter here and on Schedule A, line 1.....                           |   | 12  | 1,032,000   |

## SCHEDULE I - APPORTIONMENT FACTOR

| Compute to 6 Decimal Places   |                     |                               |                |   |   |   |   |   |   |
|---|---------------------|-------------------------------|----------------|---|---|---|---|---|---|
|   | A                   | B                             | C              |   |   |   |   |   |   |
|   | Total Within Alaska | Total Within & Without Alaska | A divided by B |   |   |   |   |   |   |
| 1. Property.....  | 9,000,000           | 100,000,000                   | .090000        | 0 | 9 | 0 | 0 | 0 | 0 |
| 2. Payroll.....   | 1,428,000           | 28,560,000                    | .050000        | 0 | 5 | 0 | 0 | 0 | 0 |
| 3. Sales.....   | 22,400,000          | 140,000,000                   | .160000        | 1 | 6 | 0 | 0 | 0 | 0 |
| 4. Total of lines 1, 2 and 3, column C.....   |                     |                               | .300000        | 3 | 0 | 0 | 0 | 0 | 0 |
| 5. Alaska apportionment factor. Divide line 4 by 3 (if less than 3 factors are used, see instructions)..... |                     |                               | .100000        | 1 | 0 | 0 | 0 | 0 | 0 |



# Appendix A

|   |  |
|---|--|
| NAME: <div style="text-align: center; font-size: 24pt; font-weight: bold; margin-top: 10px;">CORP A</div> | EIN: <div style="border: 1px solid black; height: 20px; width: 100%; margin-top: 10px;"></div> |
|---|--|

## SCHEDULE J - ALASKA CAPITAL AND SECTION 1231 GAINS AND LOSSES

|   | A<br>Combined | B<br>AK Factor | C<br>Alaska Gain or (Loss) |
|---|---------------|----------------|----------------------------|
| <b>Section 1231 Gains and Losses</b>  |               |                |                            |
| 1. Current section 1231 gains and (losses). If a loss enter the result on line 19.....  | 1 (270,000)   | 0.100000       | (27,000)                   |
| 2. Alaska non-recaptured net section 1231 losses from prior years. Enter as a positive number.....  |               |                | 2                          |
| 3. If line 1C is a gain, subtract line 2 from line 1C, but not less than zero. Enter here and on line 15.....   |               |                | 3                          |
| 4. If line 1C is a gain, enter the lesser of line 1C or line 2 here and on line 19, otherwise enter zero.....   |               |                | 4                          |
| <b>Short-Term Capital Gains and Losses</b>  |               |                |                            |
| 5. Total current short-term capital gains and (losses).....   | 5 (110,000)   |                |                            |
| 6. Non-business short-term capital gains and (losses).....  | 6             |                |                            |
| 7. Apportionable STCG/(L). Subtract line 6 from line 5 and apportion.....   | 7 (110,000)   | 0.100000       | (11,000)                   |
| 8. Non-business STCG/(L) allocable to Alaska.....   |               |                | 8                          |
| 9. Alaska unused capital loss carryover.....  |               |                | 9 ( )                      |
| 10. Net short-term capital gain or (loss), add lines 7C, 8, and 9.....  |               |                | 10 (11,000)                |
| <b>Long-Term Capital Gains and Losses</b>   |               |                |                            |
| 11. Total current long-term capital gains and (losses).....   | 11 440,000    |                |                            |
| 12. Non-business long-term capital gains and (losses).....  | 12 80,000     |                |                            |
| 13. Apportionable LTCG/(L). Subtract line 12 from line 11 and apportion.....  | 13 360,000    | 0.100000       | 36,000                     |
| 14. Non-business LTCG/(L) allocable to Alaska.....  |               |                | 14                         |
| 15. Enter amount from line 3.....   |               |                | 15                         |
| 16. Net long-term capital gain or (loss). Add lines 13C, 14, and 15.....  |               |                | 16 36,000                  |
| <b>Summary</b>  |               |                |                            |
| 17. Excess net short-term capital gain, line 10, over net long-term capital loss, line 16.....  |               |                | 17 -                       |
| 18. Alaska net capital gain. Excess net long-term capital gain, line 16, over net short-term capital loss, line 10. Enter here and on Schedule D, line 2..... |               |                | 18 25,000                  |
| 19. If line 1C is a loss, enter here, otherwise enter the amount from line 4.....   |               |                | 19 (27,000)                |
| 20. Add lines 17, 18, and 19. Enter here and on Schedule H, line 11a.....   |               |                | 20 (2,000)                 |

## SCHEDULE K - ALASKA CHARITABLE CONTRIBUTION DEDUCTION

|  |    |           |
|--|----|-----------|
| 1. Current charitable contributions.....   | 1  | 500,000   |
| 2. Alaska Education Credit contributions from Schedule G, line 1.....  | 2  | 200,000   |
| 3. Subtract line 2 from line 1.....  | 3  | 300,000   |
| 4. Apportionment factor from Schedule I, line 5. Corporations operating only in Alaska, enter 1.0.....                   | 4  | 0.100000  |
| 5. Current Alaska charitable contributions. Multiply line 3 by line 4.....   | 5  | 30,000    |
| 6. Alaska excess charitable contribution carryover from prior years. Enter as a positive number.....                     | 6  | -         |
| 7. Add lines 5 and 6.....  | 7  | 30,000    |
| 8. Enter the sum of Schedule H, lines 9, 10, and 11a, but not less than zero.....  | 8  | 1,069,000 |
| 9. Multiply line 8 times 10%.....  | 9  | 106,900   |
| 10. Alaska charitable contribution deduction. Enter the lesser of line 7 or line 9 here and on Schedule H, line 11b..... | 10 | 30,000    |
| 11. Alaska excess charitable contribution carryover. Line 7 minus line 10.....   | 11 | -         |

## SCHEDULE L - ALASKA DIVIDENDS-RECEIVED DEDUCTION (DRD)

|   |    |          |
|---|----|----------|
| 1. Dividend income included in Schedule H, line 3.....  | 1  | 510,000  |
| 2. Less: Dividends not eligible for DRD (do not include any dividend in more than one line below):  |    |          |
| (a) Intercompany dividends from Schedule H, line 6b.....  | 2a | -        |
| (b) Section 78 gross-up dividends from Schedule H, line 6c.....   | 2b | 200,000  |
| (c) 100% of dividends from foreign corporations. Divide Schedule H, line 6d by .8.....  | 2c | 200,000  |
| (d) Dividends subtracted on Schedule H, line 6f as non-business income.....   | 2d | 10,000   |
| (e) Total subtractions (add lines 2a through 2d).....   | 2e | 410,000  |
| 3. Total. Subtract line 2e from line 1.....   | 3  | 100,000  |
| 4. Apportionment factor from Schedule I, line 5. Corporations operating only in Alaska, enter 1.0.....  | 4  | 0.100000 |
| 5. Apportioned dividends (multiply line 3 by line 4).....   | 5  | 10,000   |
| 6. Add dividends allocable to Alaska included on Schedule H, line 10.....   | 6  | -        |
| 7. Total dividends included in taxable income (add lines 5 and 6).....  | 7  | 10,000   |
| 8. DRD prior to limitations (segregate dividends in line 7 and multiply by proper %)  |    |          |
| (a) Dividends qualifying for 100% deduction.....  | 8a | 100%     |
| (b) Dividends qualifying for 80% deduction.....   | 8b | 80%      |
| (c) Dividends qualifying for 70% deduction.....   | 8c | 70%      |
| (d) Other, if applicable (enter % in column B).....   | 8d | 7,000    |
| 9. Tentative dividends-received deduction. Add lines 8a through 8d, column C. Enter here and carry the deduction, subject to IRC 246 limitation based upon Alaska taxable income, to Schedule H, line 11c (see instructions)..... | 9  | 7,000    |

# Appendix B

FORM  
04-611

## ALASKA CORPORATION NET INCOME TAX RETURN

1998

For the calendar year 1998 or the taxable year beginning

DEPARTMENT USE ONLY

\_\_\_\_\_, 1998 and ending \_\_\_\_\_, 19\_\_\_\_

|                       |                      |                          |                           |
|-----------------------|----------------------|--------------------------|---------------------------|
| Federal EIN           | Alaska Commerce ID # | NAICS Code               | Alaska Business License # |
| Name<br><b>CORP C</b> | Telephone Number     |                          |                           |
| Mailing Address       | Fax Number           |                          |                           |
| City                  | State                | Zip Code                 | E-Mail Address            |
| Contact Person        | Title                | Contact Telephone Number |                           |

|   |  |
|---|--|
| Check applicable boxes:   | RETURN DATA  |
| <input type="checkbox"/> First Alaska return                    | Yes No (Check Yes or No)   |
| <input type="checkbox"/> Final Alaska return                    | <input type="checkbox"/> <input type="checkbox"/> 1. Is a federal extension in effect? If yes, attach a copy of Form 7004.   |
| <input type="checkbox"/> Name or address change since last year | <input type="checkbox"/> <input type="checkbox"/> 2. Is this an information report for a corporation that is inactive in Alaska?   |
| <input type="checkbox"/> Limited Liability Company (LLC)        | <input type="checkbox"/> <input type="checkbox"/> 3. Is this a non-affiliated corporation doing business only in Alaska with an apportionment factor of 1.00? Note: If yes, use Short Form 04-611SF.   |
| <input type="checkbox"/> Exempt organization (see instructions) | <input type="checkbox"/> <input type="checkbox"/> 4. Is this a water's edge combination? See AS 43.20.073. If yes, Schedule B, question #1 must be completed.  |
| <input type="checkbox"/> S-Corporation (Attach 1120S)           | <input type="checkbox"/> <input type="checkbox"/> 5. Is this a consolidated Alaska return including more than one corporation with Alaska business activity? If yes, complete Schedule B, question #1. |
| <input type="checkbox"/> Homeowners Association (Attach 1120H)  | <input type="checkbox"/> <input type="checkbox"/> 6. Are any business activities conducted by a member of the affiliated group excluded from the combined report as non-unitary business activities?   |

### ► SCHEDULE A - NET INCOME TAX SUMMARY

|  |             | DEPT USE ONLY |
|--|-------------|---------------|
| Alaska income (loss) from Schedule H.....  | 1 1,507,500 |               |
| Alaska net operating loss deduction (attach schedule).....                                       | 2 -         | NL            |
| Alaska taxable income. Subtract line 2 from line 1.....  | 3 1,507,500 | TI            |
| Alaska income tax from Schedule D, line 7.....   | 4 137,745   | TX            |
| Other taxes from Schedule E, line 8.....   | 5 7,500     | OT            |
| Federal-based credits from Schedule F, line 16.....  | 6 (1,500)   | CR            |
| Total Tax. Sum of lines 4, 5 and 6.....  | 7 143,745   |               |
| Incentive Credits (see instructions).....  | 8 ( )       | IC            |
| Alaska Education Credit from Schedule G, line 4.....   | 9 (143,745) | EC            |
| Net Alaska income tax (line 7, net of lines 8 and 9) if more than \$500, attach Form 04-708..... | 10 -        | NT            |
| Payments from Page 3, Schedule C.....  | 11          | P.I           |
| Tax due. If line 10 is larger than line 11, enter amount of tax due.....                         | 12          |               |
| Overpayment. If line 11 is larger than line 10, enter amount overpaid.....                       | 13          |               |
| Penalty for underpayment of estimated tax (Form 04-708, line 18, see instructions).....          | 14          | UP            |
| Penalty for failure to file (see instructions).....  | 15          | PF            |
| Penalty for failure to pay (see instructions).....   | 16          | PP            |
| Interest (see instructions).....   | 17          | IN            |
| Total amount due (overpaid). Line 12 plus lines 14-17, or line 13 less lines 14-17.....          | 18          |               |
| Overpayment credited to 1999 estimated tax.....  | 19          | CF            |
| Refund (line 18 reduced by line 19).....   | 20          | RF            |

|   |      |   |               |
|---|------|---|---------------|
| I declare, under penalties of perjury, that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge. |      |   | DEPT USE ONLY |
| Officer's Signature   | Date | Title   | CFWD          |
| Preparer's Signature  | Date | Check if <input type="checkbox"/> self-employed | REFUND        |
| Firm's name (or yours if self-employed) and address   |      | E.I. No.<br>Zip Code                            | APPROVED      |
|   |      |   | DATE          |

# Appendix B

## SCHEDULE B - TAXPAYER INFORMATION

**1. Affiliated Taxpayer Information.** Complete the following information for all Alaska taxpayers included in the affiliated group of the taxpayer(s): It is only those corporations having nexus in Alaska. You may also use this schedule to satisfy information reporting requirements of affiliated corporations registered to do business in Alaska which have no business activity in the state.

| No. | ( a )<br>Name and Address of each Alaska taxpayer<br>in the affiliated group<br>(Attach schedule if additional space is required) | ( b )<br>Federal Employer<br>ID Number | ( c )<br>Alaska Commerce<br>File Number | ( d )<br>Alaska Business<br>License Number | ( e )<br>Is this an inactive<br>corporation<br>report?<br>Y / N | ( f )<br>Year Began<br>Doing<br>Business<br>in Alaska | ( g )<br>State of<br>Commercial<br>Domicile | ( h )<br>Included in<br>federal<br>Consolidated<br>Return Y/N | ( i )<br>Included as<br>a "taxpayer"<br>in this return<br>Y / N |
|-----|---|--|---|--|---|---|---|---|---|
| 1   | <b>CORP C</b>   |  |   |  | N   | 1988  | AK  | Y   | Y   |
| 2   | <b>CORP A</b>   |  |   |  | N   | 1980  | CA  | Y   | N   |
|     |   |  |   |  |   |   |   |   |   |
|     |   |  |   |  |   |   |   |   |   |
|     |   |  |   |  |   |   |   |   |   |
|     |   |  |   |  |   |   |   |   |   |
|     |   |  |   |  |   |   |   |   |   |

2. If any taxpayer included in this return is included in a federal consolidated return (Form 1120), provide the Name, Address, and Federal Employer Identification Number of the common parent of the federal consolidated group:

EIN: \_\_\_\_\_

Name: \_\_\_\_\_

**A Corporation**

Address: \_\_\_\_\_

3. If this is the first return, indicate whether:

☐ New business

☐ Successor to previously existing business

Enter name, address and federal Employer Identification Number of previous business:

EIN: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

4. Name and address on your prior year's return if different from page 1. State the reason for the change (e.g., merger, name change, etc.)

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Reason: \_\_\_\_\_

# Appendix B

|                        |      |
|------------------------|------|
| NAME:<br><b>CORP C</b> | EIN: |
|------------------------|------|

## TAX RATE SCHEDULE (AS 43.20.011)

If your Alaska taxable income is:

| (1)<br>At least | (2)<br>But Less Than | (3)<br>Your Tax Is | (4)<br>Plus | (5)<br>Of The Amount Over |
|-----------------|----------------------|--------------------|-------------|---------------------------|
| -0-             | 10,000               | -0-                | 1%          | -0-                       |
| 10,000          | 20,000               | 100                | 2%          | 10,000                    |
| 20,000          | 30,000               | 300                | 3%          | 20,000                    |
| 30,000          | 40,000               | 600                | 4%          | 30,000                    |
| 40,000          | 50,000               | 1,000              | 5%          | 40,000                    |
| 50,000          | 60,000               | 1,500              | 6%          | 50,000                    |
| 60,000          | 70,000               | 2,100              | 7%          | 60,000                    |
| 70,000          | 80,000               | 2,800              | 8%          | 70,000                    |
| 80,000          | 90,000               | 3,600              | 9%          | 80,000                    |
| 90,000 or More  |                      | 4,500              | 9.4%        | 90,000                    |

## SCHEDULE C TAX PAYMENT RECORD

| Estimated Payments                        | Date   | Amount |
|---|--------|--------|
| (1)                                       | 04-711 |        |
| (2)                                       | 04-711 |        |
| (3)                                       | 04-711 |        |
| (4)                                       | 04-711 |        |
| Tentative Tax 04-709                      |        |        |
| Overpayment From Prior Year               |        |        |
| Apply Nonresident Affidavit Cash Security |        |        |
| Less: Quick Refund (Form 4466)            |        | ( )    |
| Total Payments to Schedule A, Line 11     |        | \$     |

## SCHEDULE D - ALASKA TAX COMPUTATION

|   | A            | B         |
|---|--------------|-----------|
| 1. Alaska taxable income from Schedule A, line 3.....   | 1 1,507,500  | 1,507,500 |
| 2. Net capital gain from Schedule J, line 18, but not more than line 1.<br>If line 1 is a loss, enter zero..... | 2 -          |           |
| 3. Ordinary income. Subtract line 2 from line 1. If less than zero, enter zero.....                             | 3 1,507,500  | 1,507,500 |
| 4. To compute the tax on ordinary income, apply the amount on line 3 to the Tax Rate Schedule                   |              |           |
| (a) Tax from column 3 of the Tax Rate Schedule.....   | 4a 4,500     | 4,500     |
| (b) Ordinary income from line 3 above.....  | 4b 1,507,500 | 1,507,500 |
| (c) Amount from column 5 of the Tax Rate Schedule.....  | 4c 90,000    | 90,000    |
| (d) Excess. Subtract line 4c from line 4b.....  | 4d 1,417,500 | 1,417,500 |
| (e) Percent from column 4 of the Tax Rate Schedule.....   | 4e 9.4%      | 9.4%      |
| (f) Multiply line 4d by line 4e.....  | 4f 133,245   | 133,245   |
| (g) Tax on ordinary income. Add lines 4a and 4f.....  | 4g 137,745   | 137,745   |
| 5. Tax on net capital gain. Multiply line 2 by 4.5%.....  | 5 -          |           |
| 6. Alaska income tax. Add lines 4g and 5.....   | 6 137,745    | 137,745   |
| 7. Enter the lesser of line 6, column A or B here and on Schedule A, line 4.....                                | 7 137,745    |           |

## SCHEDULE E - OTHER TAXES (AS 43.20.021)

|   | A          |       | B          |
|---|------------|-------|------------|
| 1. Alternative minimum tax from federal Form 4626.....                          | 1a 277,778 | x 18% | 1b 50,000  |
| 2. Credit for prior year minimum tax from Form 1120, Schedule J, line 4e.....   | 2a         | x 18% | 2b ( )     |
| 3. Other federal taxes (attach schedule).....                                   | 3a         | x 18% | 3b         |
| 4. Total other taxes. Add lines 1b through 3b.....                              |            |       | 4 50,000   |
| 5. Alaska apportionment factor, from Schedule I, line 5.....                    |            |       | 5 0.150000 |
| 6. Multiply line 4 by line 5.....   |            |       | 6 7,500    |
| 7. S-Corporation corporate level taxes, see instructions (attach Schedule)..... |            |       | 7 -        |
| 8. Add lines 6 and 7. Enter here and on Schedule A, line 5.....                 |            |       | 8 7,500    |

## Appendix B

|   |      |
|---|------|
| Name: <span style="font-size: 1.2em; font-weight: bold; margin-left: 50px;">CORP C</span> | EIN: |
|---|------|

### SCHEDULE F - CREDITS

|  |             |
|--|-------------|
| 1. Current year general business credit  |             |
| (a) Current year federal general business credit (line 2, Part I, Federal Form 3800).....  | 1a. 55,556  |
| (b) Current year federal investment tax credit (line 5, Part I, Federal Form 3468).....  | 1b.         |
| (c) Current year credit for employer social security and Medicare taxes paid on certain employee tips (line 6, Part I, federal Form 8846)..... | 1c.         |
| (d) Current year trans-Alaska pipeline liability fund credit (line 1n, Part I, federal Form 3800).....   | 1d.         |
| (e) Total of lines 1b through 1d.....  | 1e.         |
| (f) Current year general business credit. (Subtract line 1e from 1a).....  | 1f. 55,556  |
| 2. Alaska apportionment factor from Schedule I, line 5.....  | 2. 0.150000 |
| 3. Multiply line 1f by line 2.....   | 3. 8,333    |
| 4. Multiply line 3 by 18%.....   | 4. 1,500    |
| 5. Alaska general business credit carryover (attach schedule).....   | 5. -        |
| 6. Tentative general business credit. Add lines 4 and 5.....   | 6. 1,500    |
| 7. Alaska income tax from Schedule A, line 4.....  | 7. 137,745  |
| 8. Other federal-based credits that reduce regular tax before the general business credit  |             |
| (a) Nonconventional source fuel credit.....  | 8a.         |
| (b) Qualified electric vehicle credit (line 13, federal Form 8834).....  | 8b.         |
| (c) Total other federal-based credits. Add lines 8a and 8b.....  | 8c. -       |
| 9. Multiply line 8c by line 2.....   | 9. -        |
| 10. Multiply line 9 by 18%.....  | 10. -       |
| 11. Enter smaller of line 7 or line 10.....  | 11. -       |
| 12. Subtract line 11 from line 7.....  | 12. 137,745 |
| 13. If line 12 is greater than \$4,500, enter 25% of the excess.....   | 13. 33,311  |
| 14. Subtract line 13 from line 12.....   | 14. 104,434 |
| 15. Enter lesser of line 6 or line 14.....   | 15. 1,500   |
| 16. Total federal-based credits allowed. Add lines 11 and 15 and enter on Schedule A, line 6.....  | 16. 1,500   |
| 17. Alaska general business credit carryforward. Subtract line 15 from line 6 (but not less than zero).....                                    | 17.         |

### SCHEDULE G - ALASKA EDUCATION CREDIT

(AS 43.20.014)

A taxpayer is allowed a credit for cash contributions accepted for direct instruction, research and educational support purposes, including library and museum acquisitions. Contributions accepted for endowment purposes are also eligible for the credit. The contribution must be given to an accredited, nonprofit, two or four year public or private college or university in Alaska. Attach a schedule if more than four contributions were made. The Alaska education credit may not exceed \$150,000. A corresponding deduction for the gross qualified contribution (line 1 amount below) is not allowed under 26 U.S.C. 170 for purposes of this return.

| Payor  | Name of College or University | Contribution(s) |         |
|--------|-------------------------------|-----------------|---------|
|        |                               | Date            | Amount  |
| CORP C | UAA                           | 7/1/98          | 200,000 |
|        |                               |                 |         |
|        |                               |                 |         |

|   |   |
|---|---|
| 1. Total qualified contributions. Enter the total of the qualified contributions but not more than \$200,000. Enter here and on Form 04-611 Schedule K, line 2.....   | 1. 200,000                                    |
| 2. Enter lesser of \$50,000 or 50% of line 1.....   | 2. 50,000                                     |
| 3. Subtract \$100,000 from line 1. If less than zero, enter zero. Do not enter more than \$100,000.....   | 3. 100,000                                    |
| 4. Total Alaska education credit. Add lines 2 and 3; enter here and on Schedule A, line 9 (maximum: \$150,000) but not more than the total tax reduced by incentive credits (Schedule A, line 7 less line 8)..... | 4. 143,745<br><small>(Limited to Tax)</small> |

# Appendix B

|  |  |
|--|--|
| NAME: <div style="text-align: center; font-size: 1.2em; font-weight: bold;">CORP C</div> | EIN: <div style="border: 1px solid black; height: 20px; width: 100%;"></div> |
|--|--|

## SCHEDULE H - COMPUTATION OF ALASKA INCOME

|  |             |    |            |
|--|-------------|----|------------|
| 1. Federal taxable income (loss), Form 1120, line 28, or Form 1120A, line 24 as actually filed by taxpayer or taxpayer's federal consolidated group..... | ▶           | 1  | 14,940,000 |
| 2. Adjustments for combined reporting <b>Affiliated taxpayers only.</b> (Attach schedules - by company):   |             |    |            |
| (a) Add: Form 1120, line 28 income (loss) of domestic unitary corporations not included in line 1 with 20% or greater U.S. factors.....                  |             |    |            |
| 2a   | (1,710,000) |    |            |
| 2b   | 1,500,000   |    |            |
| 2c   |             |    |            |
| 2d   |             |    |            |
| 2e   | (4,400,000) |    |            |
| 2f   | (230,000)   |    |            |
| 2g   | (4,840,000) |    |            |
| 3. Net income before state modifications and adjustments. Add lines 1 and 2g.....  |             | 3  | 10,100,000 |
| 4. Additions for items deducted in line 3 above (Attach schedules - by company):   |             |    |            |
| 4a   | 860,000     |    |            |
| 4b   | 1,000       |    |            |
| 4c   | 750,000     |    |            |
| 4d   | 270,000     |    |            |
| 4e   |             |    |            |
| 4f   | 1,881,000   |    |            |
| 5. Total. Add lines 3 and 4f.....  |             | 5  | 11,981,000 |
| 6. Subtractions for items included in line 3 above (Attach schedules - by company):  |             |    |            |
| 6a   | 1,000       |    |            |
| 6b   |             |    |            |
| 6c   | 200,000     |    |            |
| 6d   | 160,000     |    |            |
| 6e   | 400,000     |    |            |
| 6f   | 90,000      |    |            |
| 6g   | 420,000     |    |            |
| 6h   |             |    |            |
| 6i   |             |    |            |
| 6j   | 1,271,000   |    |            |
| 7. Apportionable income (loss). Subtract line 6j from line 5.....  |             | 7  | 10,710,000 |
| 8. Apportionment factor from Schedule I, line 5.....   |             | 8  | 0.150000   |
| 9. Income (loss) apportioned to Alaska (line 7 times line 8).....  |             | 9  | 1,606,500  |
| 10. Non-business income (loss) net of expenses allocable to Alaska (attach schedule by company and type).....  |             | 10 | 10,000     |
| 11. Alaska Items:  |             |    |            |
| 11a  | (40,500)    |    |            |
| 11b  | (51,000)    |    |            |
| 11c  | (17,500)    |    |            |
| 11d  | (109,000)   |    |            |
| 12. Alaska taxable income (loss) before net operating loss. Add lines 9, 10 and 11d. Enter here and on Schedule A, line 1.....                           |             | 12 | 1,507,500  |

## SCHEDULE I - APPORTIONMENT FACTOR

| Compute to 6 Decimal Places   |   | A                   | B                             | C              |   |   |   |   |   |   |
|---|---|---------------------|-------------------------------|----------------|---|---|---|---|---|---|
|   |   | Total Within Alaska | Total Within & Without Alaska | A divided by B |   |   |   |   |   |   |
| 1. Property.....  | 1 | 23,000,000          | 100,000,000                   | .              | 2 | 3 | 0 | 0 | 0 | 0 |
| 2. Payroll.....   | 2 | 5,712,000           | 28,560,000                    | .              | 2 | 0 | 0 | 0 | 0 | 0 |
| 3. Sales.....   | 3 | 2,800,000           | 140,000,000                   | .              | 0 | 2 | 0 | 0 | 0 | 0 |
| 4. Total of lines 1, 2 and 3, column C.....   |   |                     |                               | 4              | . | 4 | 5 | 0 | 0 | 0 |
| 5. Alaska apportionment factor. Divide line 4 by 3 (if less than 3 factors are used, see instructions)..... |   |                     |                               | 5              | . | 1 | 5 | 0 | 0 | 0 |

# Appendix B

|   |  |
|---|--|
| NAME: <div style="text-align: center; font-size: 24pt; font-weight: bold; margin-top: 10px;">CORP C</div> | EIN: <div style="border: 1px solid black; height: 20px; width: 100%; margin-top: 10px;"></div> |
|---|--|

## SCHEDULE J - ALASKA CAPITAL AND SECTION 1231 GAINS AND LOSSES

|   | A<br>Combined | B<br>AK Factor | C<br>Alaska Gain or (Loss) |
|---|---------------|----------------|----------------------------|
| <b>Section 1231 Gains and Losses</b>  |               |                |                            |
| 1. Current section 1231 gains and (losses). If a loss enter the result on line 19.....  | 1 (270,000)   | 0.150000       | (40,500)                   |
| 2. Alaska non-recaptured net section 1231 losses from prior years. Enter as a positive number.....  |               |                | 2                          |
| 3. If line 1C is a gain, subtract line 2 from line 1C, but not less than zero. Enter here and on line 15.....   |               |                | 3                          |
| 4. If line 1C is a gain, enter the lesser of line 1C or line 2 here and on line 19, otherwise enter zero.....   |               |                | 4                          |
| <b>Short-Term Capital Gains and Losses</b>  |               |                |                            |
| 5. Total current short-term capital gains and (losses).....   | 5 (110,000)   |                |                            |
| 6. Non-business short-term capital gains and (losses).....  | 6             |                |                            |
| 7. Apportionable STCG/(L). Subtract line 6 from line 5 and apportion.....   | 7 (110,000)   | 0.150000       | (16,500)                   |
| 8. Non-business STCG/(L) allocable to Alaska.....   |               |                | 8                          |
| 9. Alaska unused capital loss carryover.....  |               |                | 9 ( )                      |
| 10. Net short-term capital gain or (loss), add lines 7C, 8, and 9.....  |               |                | 10 (16,500)                |
| <b>Long-Term Capital Gains and Losses</b>   |               |                |                            |
| 11. Total current long-term capital gains and (losses).....   | 11 440,000    |                |                            |
| 12. Non-business long-term capital gains and (losses).....  | 12 80,000     |                |                            |
| 13. Apportionable LTCG/(L). Subtract line 12 from line 11 and apportion.....  | 13 360,000    | 0.150000       | 54,000                     |
| 14. Non-business LTCG/(L) allocable to Alaska.....  |               |                | 14 (40,000)                |
| 15. Enter amount from line 3.....   |               |                | 15                         |
| 16. Net long-term capital gain or (loss). Add lines 13C, 14, and 15.....  |               |                | 16 14,000                  |
| <b>Summary</b>  |               |                |                            |
| 17. Excess net short-term capital gain, line 10, over net long-term capital loss, line 16.....  |               |                | 17 -                       |
| 18. Alaska net capital gain. Excess net long-term capital gain, line 16, over net short-term capital loss, line 10. Enter here and on Schedule D, line 2..... |               |                | 18 -                       |
| 19. If line 1C is a loss, enter here, otherwise enter the amount from line 4.....   |               |                | 19 (40,500)                |
| 20. Add lines 17, 18, and 19. Enter here and on Schedule H, line 11a.....   |               |                | 20 (40,500)                |

## SCHEDULE K - ALASKA CHARITABLE CONTRIBUTION DEDUCTION

|  |             |
|--|-------------|
| 1. Current charitable contributions.....   | 1 500,000   |
| 2. Alaska Education Credit contributions from Schedule G, line 1.....  | 2 200,000   |
| 3. Subtract line 2 from line 1.....  | 3 300,000   |
| 4. Apportionment factor from Schedule I, line 5. Corporations operating only in Alaska, enter 1.0.....                   | 4 0.150000  |
| 5. Current Alaska charitable contributions. Multiply line 3 by line 4.....   | 5 45,000    |
| 6. Alaska excess charitable contribution carryover from prior years. Enter as a positive number.....                     | 6 6,000     |
| 7. Add lines 5 and 6.....  | 7 51,000    |
| 8. Enter the sum of Schedule H, lines 9, 10, and 11a, but not less than zero.....  | 8 1,576,000 |
| 9. Multiply line 8 times 10%.....  | 9 157,600   |
| 10. Alaska charitable contribution deduction. Enter the lesser of line 7 or line 9 here and on Schedule H, line 11b..... | 10 51,000   |
| 11. Alaska excess charitable contribution carryover. Line 7 minus line 10.....   | 11 -        |

## SCHEDULE L - ALASKA DIVIDENDS-RECEIVED DEDUCTION (DRD)

|   |               |
|---|---------------|
| 1. Dividend income included in Schedule H, line 3.....  | 1 510,000     |
| 2. Less: Dividends not eligible for DRD (do not include any dividend in more than one line below):  |               |
| (a) Intercompany dividends from Schedule H, line 6b.....  | 2a -          |
| (b) Section 78 gross-up dividends from Schedule H, line 6c.....   | 2b 200,000    |
| (c) 100% of dividends from foreign corporations. Divide Schedule H, line 6d by .8.....  | 2c 200,000    |
| (d) Dividends subtracted on Schedule H, line 6f as non-business income.....   | 2d 10,000     |
| (e) Total subtractions (add lines 2a through 2d).....   | 2e 410,000    |
| 3. Total. Subtract line 2e from line 1.....   | 3 100,000     |
| 4. Apportionment factor from Schedule I, line 5. Corporations operating only in Alaska, enter 1.0.....  | 4 0.150000    |
| 5. Apportioned dividends (multiply line 3 by line 4).....   | 5 15,000      |
| 6. Add dividends allocable to Alaska included on Schedule H, line 10.....   | 6 10,000      |
| 7. Total dividends included in taxable income (add lines 5 and 6).....  | 7 25,000      |
| 8. DRD prior to limitations (segregate dividends in line 7 and multiply by proper %)  |               |
| (a) Dividends qualifying for 100% deduction.....  | 8a 100%       |
| (b) Dividends qualifying for 80% deduction.....   | 8b 80%        |
| (c) Dividends qualifying for 70% deduction.....   | 8c 25,000 70% |
| (d) Other, if applicable (enter % in column B).....   | 8d            |
| 9. Tentative dividends-received deduction. Add lines 8a through 8d, column C. Enter here and carry the deduction, subject to IRC 246 limitation based upon Alaska taxable income, to Schedule H, line 11c (see instructions)..... | 9 17,500      |



## Appendix C

FORM  
04-611

## ALASKA CORPORATION NET INCOME TAX RETURN

1998

For the calendar year 1998 or the taxable year beginning

DEPARTMENT USE ONLY

\_\_\_\_\_, 1998 and ending \_\_\_\_\_, 19\_\_\_\_

|   |                      |                          |                           |
|---|----------------------|--------------------------|---------------------------|
| Federal EIN                                 | Alaska Commerce ID # | NAICS Code               | Alaska Business License # |
| Name<br><b>Consolidated CORPs A &amp; C</b> |                      |                          | Telephone Number          |
| Mailing Address                             |                      |                          | Fax Number                |
| City  | State                | Zip Code                 | E-Mail Address            |
| Contact Person                              | Title                | Contact Telephone Number |                           |

| Check applicable boxes:   | RETURN DATA   |  |    |                   |                          |                          |  |                          |                          |  |                          |                          |  |                          |                          |   |                          |                          |  |                          |                          |  |
|---|---|--|----|-------------------|--------------------------|--------------------------|--|--------------------------|--------------------------|--|--------------------------|--------------------------|--|--------------------------|--------------------------|---|--------------------------|--------------------------|--|--------------------------|--------------------------|--|
| <input type="checkbox"/> First Alaska return<br><input type="checkbox"/> Final Alaska return<br><input type="checkbox"/> Name or address change since last year<br><input type="checkbox"/> Limited Liability Company (LLC)<br><input type="checkbox"/> Exempt organization (see instructions)<br><input type="checkbox"/> S-Corporation (Attach 1120S)<br><input type="checkbox"/> Homeowners Association (Attach 1120H) | <table border="1"> <tr> <th>Yes</th> <th>No</th> <th>(Check Yes or No)</th> </tr> <tr> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td>1. Is a federal extension in effect? If yes, attach a copy of Form 7004.</td> </tr> <tr> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td>2. Is this an information report for a corporation that is inactive in Alaska?</td> </tr> <tr> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td>3. Is this a non-affiliated corporation doing business only in Alaska with an apportionment factor of 1.00? Note: If yes, use Short Form 04-611SF.</td> </tr> <tr> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td>4. Is this a water's edge combination? See AS 43.20.073. If yes, Schedule B, question #1 must be completed.</td> </tr> <tr> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td>5. Is this a consolidated Alaska return including more than one corporation with Alaska business activity? If yes, complete Schedule B, question #1.</td> </tr> <tr> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td>6. Are any business activities conducted by a member of the affiliated group excluded from the combined report as non-unitary business activities?</td> </tr> </table> | Yes  | No | (Check Yes or No) | <input type="checkbox"/> | <input type="checkbox"/> | 1. Is a federal extension in effect? If yes, attach a copy of Form 7004. | <input type="checkbox"/> | <input type="checkbox"/> | 2. Is this an information report for a corporation that is inactive in Alaska? | <input type="checkbox"/> | <input type="checkbox"/> | 3. Is this a non-affiliated corporation doing business only in Alaska with an apportionment factor of 1.00? Note: If yes, use Short Form 04-611SF. | <input type="checkbox"/> | <input type="checkbox"/> | 4. Is this a water's edge combination? See AS 43.20.073. If yes, Schedule B, question #1 must be completed. | <input type="checkbox"/> | <input type="checkbox"/> | 5. Is this a consolidated Alaska return including more than one corporation with Alaska business activity? If yes, complete Schedule B, question #1. | <input type="checkbox"/> | <input type="checkbox"/> | 6. Are any business activities conducted by a member of the affiliated group excluded from the combined report as non-unitary business activities? |
| Yes   | No  | (Check Yes or No)  |    |                   |                          |                          |  |                          |                          |  |                          |                          |  |                          |                          |   |                          |                          |  |                          |                          |  |
| <input type="checkbox"/>  | <input type="checkbox"/>  | 1. Is a federal extension in effect? If yes, attach a copy of Form 7004.   |    |                   |                          |                          |  |                          |                          |  |                          |                          |  |                          |                          |   |                          |                          |  |                          |                          |  |
| <input type="checkbox"/>  | <input type="checkbox"/>  | 2. Is this an information report for a corporation that is inactive in Alaska?   |    |                   |                          |                          |  |                          |                          |  |                          |                          |  |                          |                          |   |                          |                          |  |                          |                          |  |
| <input type="checkbox"/>  | <input type="checkbox"/>  | 3. Is this a non-affiliated corporation doing business only in Alaska with an apportionment factor of 1.00? Note: If yes, use Short Form 04-611SF.   |    |                   |                          |                          |  |                          |                          |  |                          |                          |  |                          |                          |   |                          |                          |  |                          |                          |  |
| <input type="checkbox"/>  | <input type="checkbox"/>  | 4. Is this a water's edge combination? See AS 43.20.073. If yes, Schedule B, question #1 must be completed.  |    |                   |                          |                          |  |                          |                          |  |                          |                          |  |                          |                          |   |                          |                          |  |                          |                          |  |
| <input type="checkbox"/>  | <input type="checkbox"/>  | 5. Is this a consolidated Alaska return including more than one corporation with Alaska business activity? If yes, complete Schedule B, question #1. |    |                   |                          |                          |  |                          |                          |  |                          |                          |  |                          |                          |   |                          |                          |  |                          |                          |  |
| <input type="checkbox"/>  | <input type="checkbox"/>  | 6. Are any business activities conducted by a member of the affiliated group excluded from the combined report as non-unitary business activities?   |    |                   |                          |                          |  |                          |                          |  |                          |                          |  |                          |                          |   |                          |                          |  |                          |                          |  |

## ► SCHEDULE A - NET INCOME TAX SUMMARY

|   |             | DEPT USE ONLY |
|---|-------------|---------------|
| 1. Alaska income (loss) from Schedule H.....  | 1 2,537,000 |               |
| 2. Alaska net operating loss deduction (attach schedule).....   | 2 -         | NL            |
| 3. Alaska taxable income. Subtract line 2 from line 1.....  | 3 2,537,000 | TI            |
| 4. Alaska income tax from Schedule D, line 7.....   | 4 233,416   | TX            |
| 5. Other taxes from Schedule E, line 8.....   | 5 12,500    | OT            |
| 6. Federal-based credits from Schedule F, line 16.....  | 6 (2,500)   | CR            |
| 7. Total Tax. Sum of lines 4, 5 and 6.....  | 7 243,416   |               |
| 8. Incentive Credits (see instructions).....  | 8 ( )       | IC            |
| 9. Alaska Education Credit from Schedule G, line 4.....   | 9 (150,000) | EC            |
| 10. Net Alaska income tax (line 7, net of lines 8 and 9) if more than \$500,<br>attach Form 04-708..... | 10 93,416   | NT            |
| 11. Payments from Page 3, Schedule C.....   | 11          | PI            |
| 12. Tax due. If line 10 is larger than line 11, enter amount of tax due.....                            | 12          |               |
| 13. Overpayment. If line 11 is larger than line 10, enter amount overpaid.....                          | 13          |               |
| 14. Penalty for underpayment of estimated tax (Form 04-708, line 18, see instructions).....             | 14          | UP            |
| 15. Penalty for failure to file (see instructions).....   | 15          | PF            |
| 16. Penalty for failure to pay (see instructions).....  | 16          | PP            |
| 17. Interest (see instructions).....  | 17          | IN            |
| 18. Total amount due (overpaid). Line 12 plus lines 14-17, or line 13 less lines 14-17.....             | 18          |               |
| 19. Overpayment credited to 1999 estimated tax.....   | 19          | CF            |
| 20. Refund (line 18 reduced by line 19).....  | 20          | RF            |

|   |          |   |                                   |
|---|----------|---|-----------------------------------|
| I declare, under penalties of perjury, that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge. |          |   | DEPT USE ONLY                     |
| Officer's   | Date     | Title   | CFWD                              |
| Signature   |          |   | REFUND                            |
| Preparer's  | Date     | Check if <input type="checkbox"/> self-employed | Preparer's social security number |
| Signature   |          |   | APPROVED                          |
| Firm's name (or yours if self-employed) and address   | E.I. No. | Zip Code  | DATE                              |



# Appendix C

## SCHEDULE B - TAXPAYER INFORMATION

**1. Affiliated Taxpayer Information.** Complete the following information for all Alaska taxpayers included in the affiliated group of the taxpayer(s): It is only those corporations having nexus in Alaska. You may also use this schedule to satisfy information reporting requirements of affiliated corporations registered to do business in Alaska which have no business activity in the state.

| No. | ( a )<br>Name and Address of each Alaska taxpayer<br>in the affiliated group<br>(Attach schedule if additional space is required) | ( b )<br>Federal Employer<br>ID Number | ( c )<br>Alaska Commerce<br>File Number | ( d )<br>Alaska Business<br>License Number | ( e )<br>Is this an inactive<br>corporation<br>report?<br>Y / N | ( f )<br>Year Began<br>Doing<br>Business<br>in Alaska | ( g )<br>State of<br>Commercial<br>Domicile | ( h )<br>Included in<br>federal<br>Consolidated<br>Return Y/N | ( i )<br>Included as<br>a "taxpayer"<br>in this return<br>Y / N |
|-----|---|--|---|--|---|---|---|---|---|
| 1   | <b>CORP C</b>   |  |   |  | N   | 1988  | AK  | Y   | Y   |
| 2   | <b>CORP A</b>   |  |   |  | N   | 1980  | CA  | Y   | Y   |
|     |   |  |   |  |   |   |   |   |   |
|     |   |  |   |  |   |   |   |   |   |
|     |   |  |   |  |   |   |   |   |   |
|     |   |  |   |  |   |   |   |   |   |
|     |   |  |   |  |   |   |   |   |   |

2. If any taxpayer included in this return is included in a federal consolidated return (Form 1120), provide the Name, Address, and Federal Employer Identification Number of the common parent of the federal consolidated group:

EIN: \_\_\_\_\_

Name: \_\_\_\_\_

**A Corporation**

Address: \_\_\_\_\_

3. If this is the first return, indicate whether:

☐ New business

☐ Successor to previously existing business

Enter name, address and federal Employer Identification Number of previous business:

EIN: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

4. Name and address on your prior year's return if different from page 1. State the reason for the change (e.g., merger, name change, etc.)

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Reason: \_\_\_\_\_

# Appendix C

|  |      |
|--|------|
| NAME:<br><b>Consolidated CORPs A &amp; C</b> | EIN: |
|--|------|

## TAX RATE SCHEDULE (AS 43.20.011)

If your Alaska taxable income is:

| (1)<br>At least | (2)<br>But Less Than | (3)<br>Your Tax Is | (4)<br>Plus | (5)<br>Of The Amount Over |
|-----------------|----------------------|--------------------|-------------|---------------------------|
| -0-             | 10,000               | -0-                | 1%          | -0-                       |
| 10,000          | 20,000               | 100                | 2%          | 10,000                    |
| 20,000          | 30,000               | 300                | 3%          | 20,000                    |
| 30,000          | 40,000               | 600                | 4%          | 30,000                    |
| 40,000          | 50,000               | 1,000              | 5%          | 40,000                    |
| 50,000          | 60,000               | 1,500              | 6%          | 50,000                    |
| 60,000          | 70,000               | 2,100              | 7%          | 60,000                    |
| 70,000          | 80,000               | 2,800              | 8%          | 70,000                    |
| 80,000          | 90,000               | 3,600              | 9%          | 80,000                    |
| 90,000 or More  |                      | 4,500              | 9.4%        | 90,000                    |

## SCHEDULE C

### TAX PAYMENT RECORD

| Estimated Payments                        | Date | Amount |
|---|------|--------|
| (1) 04-711                                |      |        |
| (2) 04-711                                |      |        |
| (3) 04-711                                |      |        |
| (4) 04-711                                |      |        |
| Tentative Tax 04-709                      |      |        |
| Overpayment From Prior Year               |      |        |
| Apply Nonresident Affidavit Cash Security |      |        |
| Less: Quick Refund (Form 4466)            |      | ( )    |
| Total Payments to Schedule A, Line 11     |      | \$     |

## SCHEDULE D - ALASKA TAX COMPUTATION

|   | A            | B         |
|---|--------------|-----------|
| 1. Alaska taxable income from Schedule A, line 3.....   | 1 2,537,000  | 2,537,000 |
| 2. Net capital gain from Schedule J, line 18, but not more than line 1.<br>If line 1 is a loss, enter zero..... | 2 22,500     |           |
| 3. Ordinary income. Subtract line 2 from line 1. If less than zero, enter zero.....                             | 3 2,514,500  | 2,537,000 |
| 4. To compute the tax on ordinary income, apply the amount on line 3 to the Tax Rate Schedule                   |              |           |
| (a) Tax from column 3 of the Tax Rate Schedule.....   | 4a 4,500     | 4,500     |
| (b) Ordinary income from line 3 above.....  | 4b 2,514,500 | 2,537,000 |
| (c) Amount from column 5 of the Tax Rate Schedule.....  | 4c 90,000    | 90,000    |
| (d) Excess. Subtract line 4c from line 4b.....  | 4d 2,424,500 | 2,447,000 |
| (e) Percent from column 4 of the Tax Rate Schedule.....   | 4e 9.4%      | 9.4%      |
| (f) Multiply line 4d by line 4e.....  | 4f 227,903   | 230,018   |
| (g) Tax on ordinary income. Add lines 4a and 4f.....  | 4g 232,403   | 234,518   |
| 5. Tax on net capital gain. Multiply line 2 by 4.5%.....  | 5 1,013      |           |
| 6. Alaska income tax. Add lines 4g and 5.....   | 6 233,416    | 234,518   |
| 7. Enter the lesser of line 6, column A or B here and on Schedule A, line 4.....                                | 7 233,416    |           |

## SCHEDULE E - OTHER TAXES

(AS 43.20.021)

|   | A          |       | B          |
|---|------------|-------|------------|
| 1. Alternative minimum tax from federal Form 4626.....                          | 1a 277,778 | x 18% | 1b 50,000  |
| 2. Credit for prior year minimum tax from Form 1120, Schedule J, line 4e.....   | 2a         | x 18% | 2b ( )     |
| 3. Other federal taxes (attach schedule).....                                   | 3a         | x 18% | 3b         |
| 4. Total other taxes. Add lines 1b through 3b.....                              |            |       | 4 50,000   |
| 5. Alaska apportionment factor, from Schedule I, line 5.....                    |            |       | 5 0.250000 |
| 6. Multiply line 4 by line 5.....   |            |       | 6 12,500   |
| 7. S-Corporation corporate level taxes, see instructions (attach Schedule)..... |            |       | 7 -        |
| 8. Add lines 6 and 7. Enter here and on Schedule A, line 5.....                 |            |       | 8 12,500   |

## Appendix C

|   |      |
|---|------|
| Name: <b>Consolidated CORPs A &amp; C</b> | EIN: |
|---|------|

### SCHEDULE F - CREDITS

|  |             |
|--|-------------|
| 1. Current year general business credit  |             |
| (a) Current year federal general business credit (line 2, Part I, Federal Form 3800).....  | 1a. 55,556  |
| (b) Current year federal investment tax credit (line 5, Part I, Federal Form 3468).....  | 1b. ....    |
| (c) Current year credit for employer social security and Medicare taxes paid on certain employee tips (line 6, Part I, federal Form 8846)..... | 1c. ....    |
| (d) Current year trans-Alaska pipeline liability fund credit (line 1n, Part I, federal Form 3800).....   | 1d. ....    |
| (e) Total of lines 1b through 1d.....  | 1e. ....    |
| (f) Current year general business credit. (Subtract line 1e from 1a).....  | 1f. 55,556  |
| 2. Alaska apportionment factor from Schedule I, line 5.....  | 2. 0.250000 |
| 3. Multiply line 1f by line 2.....   | 3. 13,889   |
| 4. Multiply line 3 by 18%.....   | 4. 2,500    |
| 5. Alaska general business credit carryover (attach schedule).....   | 5. -        |
| 6. Tentative general business credit. Add lines 4 and 5.....   | 6. 2,500    |
| 7. Alaska income tax from Schedule A, line 4.....  | 7. 233,416  |
| 8. Other federal-based credits that reduce regular tax before the general business credit  |             |
| (a) Nonconventional source fuel credit.....  | 8a. ....    |
| (b) Qualified electric vehicle credit (line 13, federal Form 8834).....  | 8b. ....    |
| (c) Total other federal-based credits. Add lines 8a and 8b.....  | 8c. -       |
| 9. Multiply line 8c by line 2.....   | 9. -        |
| 10. Multiply line 9 by 18%.....  | 10. -       |
| 11. Enter smaller of line 7 or line 10.....  | 11. -       |
| 12. Subtract line 11 from line 7.....  | 12. 233,416 |
| 13. If line 12 is greater than \$4,500, enter 25% of the excess.....   | 13. 57,229  |
| 14. Subtract line 13 from line 12.....   | 14. 176,187 |
| 15. Enter lesser of line 6 or line 14.....   | 15. 2,500   |
| 16. Total federal-based credits allowed. Add lines 11 and 15 and enter on Schedule A, line 6.....  | 16. 2,500   |
| 17. Alaska general business credit carryforward. Subtract line 15 from line 6 (but not less than zero).....                                    | 17. ....    |

### SCHEDULE G - ALASKA EDUCATION CREDIT

(AS 43.20.014)

A taxpayer is allowed a credit for cash contributions accepted for direct instruction, research and educational support purposes, including library and museum acquisitions. Contributions accepted for endowment purposes are also eligible for the credit. The contribution must be given to an accredited, nonprofit, two or four year public or private college or university in Alaska. Attach a schedule if more than four contributions were made. The Alaska education credit may not exceed \$150,000. A corresponding deduction for the gross qualified contribution (line 1 amount below) is not allowed under 26 U.S.C. 170 for purposes of this return.

| Payor  | Name of College or University | Contribution(s) |         |
|--------|-------------------------------|-----------------|---------|
|        |                               | Date            | Amount  |
| CORP C | UAA                           | 7/1/98          | 200,000 |
|        |                               |                 |         |
|        |                               |                 |         |

|   |            |
|---|------------|
| 1. Total qualified contributions. Enter the total of the qualified contributions but not more than \$200,000. Enter here and on Form 04-611 Schedule K, line 2.....   | 1. 200,000 |
| 2. Enter lesser of \$50,000 or 50% of line 1.....   | 2. 50,000  |
| 3. Subtract \$100,000 from line 1. If less than zero, enter zero. Do not enter more than \$100,000.....   | 3. 100,000 |
| 4. Total Alaska education credit. Add lines 2 and 3; enter here and on Schedule A, line 9 (maximum: \$150,000) but not more than the total tax reduced by incentive credits (Schedule A, line 7 less line 8)..... | 4. 150,000 |

# Appendix C

|   |      |
|---|------|
| NAME: <b>Consolidated CORPs A &amp; C</b> | EIN: |
|---|------|

## SCHEDULE H - COMPUTATION OF ALASKA INCOME

|  |   |     |             |
|--|---|-----|-------------|
| 1. Federal taxable income (loss), Form 1120, line 28, or Form 1120A, line 24 as actually filed by taxpayer or taxpayer's federal consolidated group..... | ▶ | 1   | 14,940,000  |
| 2. Adjustments for combined reporting <b>Affiliated taxpayers only.</b> (Attach schedules - by company):   |   |     |             |
| (a) Add: Form 1120, line 28 income (loss) of domestic unitary corporations not included in line 1 with 20% or greater U.S. factors.....                  | ▶ | 2a  | (1,710,000) |
| (b) Add: Foreign unitary corporations with 20% or greater U.S. factors.....  |   | 2b  | 1,500,000   |
| (c) Add: FSC profit before federal exemption, DISC, and tax haven corporations.....  |   | 2c  |             |
| (d) Remove: Federal taxable (income) loss of nonunitary corporations included in line 1.....   |   | 2d  |             |
| (e) Remove: Federal taxable (income) loss of unitary corporations included in line 1 whose average U.S. factors are less than 20%.....                   |   | 2e  | (4,400,000) |
| (f) Intercompany eliminations (see instructions).....  |   | 2f  | (230,000)   |
| (g) Total adjustments for combined reporting. Add lines 2a through 2f.....   |   | 2g  | (4,840,000) |
| 3. Net income before state modifications and adjustments. Add lines 1 and 2g.....  |   | 3   | 10,100,000  |
| 4. Additions for items deducted in line 3 above (Attach schedules - by company):   |   |     |             |
| (a) Taxes based on or measured by net income.....  |   | 4a  | 860,000     |
| (b) Expenses incurred to produce non-business income.....  |   | 4b  | 1,000       |
| (c) Federal charitable contributions from federal Form 1120, line 19.....  |   | 4c  | 750,000     |
| (d) Net section 1231 losses from federal Form 4797, line 11.....   |   | 4d  | 270,000     |
| (e) Other (attach detailed schedule by type).....  |   | 4e  |             |
| (f) Total additions (add lines 4a through 4e).....   |   | 4f  | 1,881,000   |
| 5. Total. Add lines 3 and 4f.....  |   | 5   | 11,981,000  |
| 6. Subtractions for items included in line 3 above (Attach schedules - by company):  |   |     |             |
| (a) Interest from obligations of the United States.....  |   | 6a  | 1,000       |
| (b) Intercompany dividends between members of the water's edge group.....  |   | 6b  |             |
| (c) Section 78 gross-up dividends.....   |   | 6c  | 200,000     |
| (d) 80% of dividends received from foreign corporations.....   |   | 6d  | 160,000     |
| (e) 80% of royalties accrued or received from foreign corporations.....  |   | 6e  | 400,000     |
| (f) Non-business income (attach detailed schedule by type).....  |   | 6f  | 90,000      |
| (g) Federal Form 1120, line 8 capital gain income not included in line 6(f).....   |   | 6g  | 420,000     |
| (h) Net section 1231 gains from federal Form 4797, line 12.....  |   | 6h  |             |
| (i) Other (attach detailed schedule by type).....  |   | 6i  |             |
| (j) Total subtractions (add lines 6a through 6i).....  |   | 6j  | 1,271,000   |
| 7. Apportionable income (loss). Subtract line 6j from line 5.....  |   | 7   | 10,710,000  |
| 8. Apportionment factor from Schedule I, line 5.....   |   | 8   | 0.250000    |
| 9. Income (loss) apportioned to Alaska (line 7 times line 8).....  |   | 9   | 2,677,500   |
| 10. Non-business income (loss) net of expenses allocable to Alaska (attach schedule by company and type).....  |   | ▶   | 10          |
|  |   |     | 10,000      |
| 11. Alaska Items:  |   |     |             |
| (a) Alaska capital and section 1231 gain (loss) from Schedule J, line 20.....  |   | 11a | (45,000)    |
| (b) Alaska charitable contribution deduction from Schedule K, line 10.....   |   | 11b | (81,000)    |
| (c) Alaska dividends-received deduction from Schedule L.....   |   | 11c | (24,500)    |
| (d) Total (add lines 11a through 11c).....   |   | 11d | (150,500)   |
| 12. Alaska taxable income (loss) before net operating loss. Add lines 9, 10 and 11d. Enter here and on Schedule A, line 1.....                           |   | ▶   | 12          |
|  |   |     | 2,537,000   |

## SCHEDULE I - APPORTIONMENT FACTOR

| Compute to 6 Decimal Places   |                     |                               |                |   |   |   |   |   |   |   |
|---|---------------------|-------------------------------|----------------|---|---|---|---|---|---|---|
|   | A                   | B                             | C              |   |   |   |   |   |   |   |
|   | Total Within Alaska | Total Within & Without Alaska | A divided by B |   |   |   |   |   |   |   |
| 1. Property.....  | 32,000,000          | 100,000,000                   | .3             | 2 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2. Payroll.....   | 7,140,000           | 28,560,000                    | .2             | 5 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3. Sales.....   | 25,200,000          | 140,000,000                   | .1             | 8 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4. Total of lines 1, 2 and 3, column C.....   |                     |                               | .7             | 5 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5. Alaska apportionment factor. Divide line 4 by 3 (if less than 3 factors are used, see instructions)..... |                     |                               | .2             | 5 | 0 | 0 | 0 | 0 | 0 | 0 |

# Appendix C

|   |      |
|---|------|
| NAME: <b>Consolidated CORPs A &amp; C</b> | EIN: |
|---|------|

## SCHEDULE J - ALASKA CAPITAL AND SECTION 1231 GAINS AND LOSSES

|   | A<br>Combined | B<br>AK Factor | C<br>Alaska Gain or (Loss) |
|---|---------------|----------------|----------------------------|
| <b>Section 1231 Gains and Losses</b>  |               |                |                            |
| 1. Current section 1231 gains and (losses). If a loss enter the result on line 19.....  | 1 (270,000)   | 0.250000       | (67,500)                   |
| 2. Alaska non-recaptured net section 1231 losses from prior years. Enter as a positive number.....  |               |                | 2                          |
| 3. If line 1C is a gain, subtract line 2 from line 1C, but not less than zero. Enter here and on line 15.....   |               |                | 3                          |
| 4. If line 1C is a gain, enter the lesser of line 1C or line 2 here and on line 19, otherwise enter zero.....   |               |                | 4                          |
| <b>Short-Term Capital Gains and Losses</b>  |               |                |                            |
| 5. Total current short-term capital gains and (losses).....   | 5 (110,000)   |                |                            |
| 6. Non-business short-term capital gains and (losses).....  | 6             |                |                            |
| 7. Apportionable STCG/(L). Subtract line 6 from line 5 and apportion.....   | 7 (110,000)   | 0.250000       | (27,500)                   |
| 8. Non-business STCG/(L) allocable to Alaska.....   |               |                | 8                          |
| 9. Alaska unused capital loss carryover.....  |               |                | 9 ( )                      |
| 10. Net short-term capital gain or (loss), add lines 7C, 8, and 9.....  |               |                | 10 (27,500)                |
| <b>Long-Term Capital Gains and Losses</b>   |               |                |                            |
| 11. Total current long-term capital gains and (losses).....   | 11 440,000    |                |                            |
| 12. Non-business long-term capital gains and (losses).....  | 12 80,000     |                |                            |
| 13. Apportionable LTCG/(L). Subtract line 12 from line 11 and apportion.....  | 13 360,000    | 0.250000       | 90,000                     |
| 14. Non-business LTCG/(L) allocable to Alaska.....  |               |                | 14 (40,000)                |
| 15. Enter amount from line 3.....   |               |                | 15                         |
| 16. Net long-term capital gain or (loss). Add lines 13C, 14, and 15.....  |               |                | 16 50,000                  |
| <b>Summary</b>  |               |                |                            |
| 17. Excess net short-term capital gain, line 10, over net long-term capital loss, line 16.....  |               |                | 17 -                       |
| 18. Alaska net capital gain. Excess net long-term capital gain, line 16, over net short-term capital loss, line 10. Enter here and on Schedule D, line 2..... |               |                | 18 22,500                  |
| 19. If line 1C is a loss, enter here, otherwise enter the amount from line 4.....   |               |                | 19 (67,500)                |
| 20. Add lines 17, 18, and 19. Enter here and on Schedule H, line 11a.....   |               |                | 20 (45,000)                |

## SCHEDULE K - ALASKA CHARITABLE CONTRIBUTION DEDUCTION

|  |             |
|--|-------------|
| 1. Current charitable contributions.....   | 1 500,000   |
| 2. Alaska Education Credit contributions from Schedule G, line 1.....  | 2 200,000   |
| 3. Subtract line 2 from line 1.....  | 3 300,000   |
| 4. Apportionment factor from Schedule I, line 5. Corporations operating only in Alaska, enter 1.0.....                   | 4 0.250000  |
| 5. Current Alaska charitable contributions. Multiply line 3 by line 4.....   | 5 75,000    |
| 6. Alaska excess charitable contribution carryover from prior years. Enter as a positive number.....                     | 6 6,000     |
| 7. Add lines 5 and 6.....  | 7 81,000    |
| 8. Enter the sum of Schedule H, lines 9, 10, and 11a, but not less than zero.....  | 8 2,642,500 |
| 9. Multiply line 8 times 10%.....  | 9 264,250   |
| 10. Alaska charitable contribution deduction. Enter the lesser of line 7 or line 9 here and on Schedule H, line 11b..... | 10 81,000   |
| 11. Alaska excess charitable contribution carryover. Line 7 minus line 10.....   | 11 -        |

## SCHEDULE L - ALASKA DIVIDENDS-RECEIVED DEDUCTION (DRD)

|   |                      |
|---|----------------------|
| 1. Dividend income included in Schedule H, line 3.....  | 1 510,000            |
| 2. Less: Dividends not eligible for DRD (do not include any dividend in more than one line below):  |                      |
| (a) Intercompany dividends from Schedule H, line 6b.....  | 2a -                 |
| (b) Section 78 gross-up dividends from Schedule H, line 6c.....   | 2b 200,000           |
| (c) 100% of dividends from foreign corporations. Divide Schedule H, line 6d by .8.....  | 2c 200,000           |
| (d) Dividends subtracted on Schedule H, line 6f as non-business income.....   | 2d 10,000            |
| (e) Total subtractions (add lines 2a through 2d).....   | 2e 410,000           |
| 3. Total. Subtract line 2e from line 1.....   | 3 100,000            |
| 4. Apportionment factor from Schedule I, line 5. Corporations operating only in Alaska, enter 1.0.....  | 4 0.250000           |
| 5. Apportioned dividends (multiply line 3 by line 4).....   | 5 25,000             |
| 6. Add dividends allocable to Alaska included on Schedule H, line 10.....   | 6 10,000             |
| 7. Total dividends included in taxable income (add lines 5 and 6).....  | 7 35,000             |
| 8. DRD prior to limitations (segregate dividends in line 7 and multiply by proper %)  |                      |
| (a) Dividends qualifying for 100% deduction.....  | 8a 100%              |
| (b) Dividends qualifying for 80% deduction.....   | 8b 80%               |
| (c) Dividends qualifying for 70% deduction.....   | 8c 35,000 70% 24,500 |
| (d) Other, if applicable (enter % in column B).....   | 8d                   |
| 9. Tentative dividends-received deduction. Add lines 8a through 8d, column C. Enter here and carry the deduction, subject to IRC 246 limitation based upon Alaska taxable income, to Schedule H, line 11c (see instructions)..... | 9 24,500             |